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ABSTRACT

This publication on the hows and whys of automobile insurance is designed as a module for one of a series of consumer education courses in New York high schools. The course is planned to help students understand how the insurance system works, the costs involved, proposed legislation, and changes in automobile design. After completing the course the student should understand the automobile insurance program and be able to select insurance based on informed opinion. This course guide offers suggested pupil and teacher activities based on understandings to be gained. Charts of existing and proposed insurance systems are included, as are bibliographies of books, pamphlets, and periodicals. (RS)

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THE CONSUMER LOOKS AT HIS AUTOMOBILE INSURANCE

–one of a series for expanded program
CONSUMER EDUCATION

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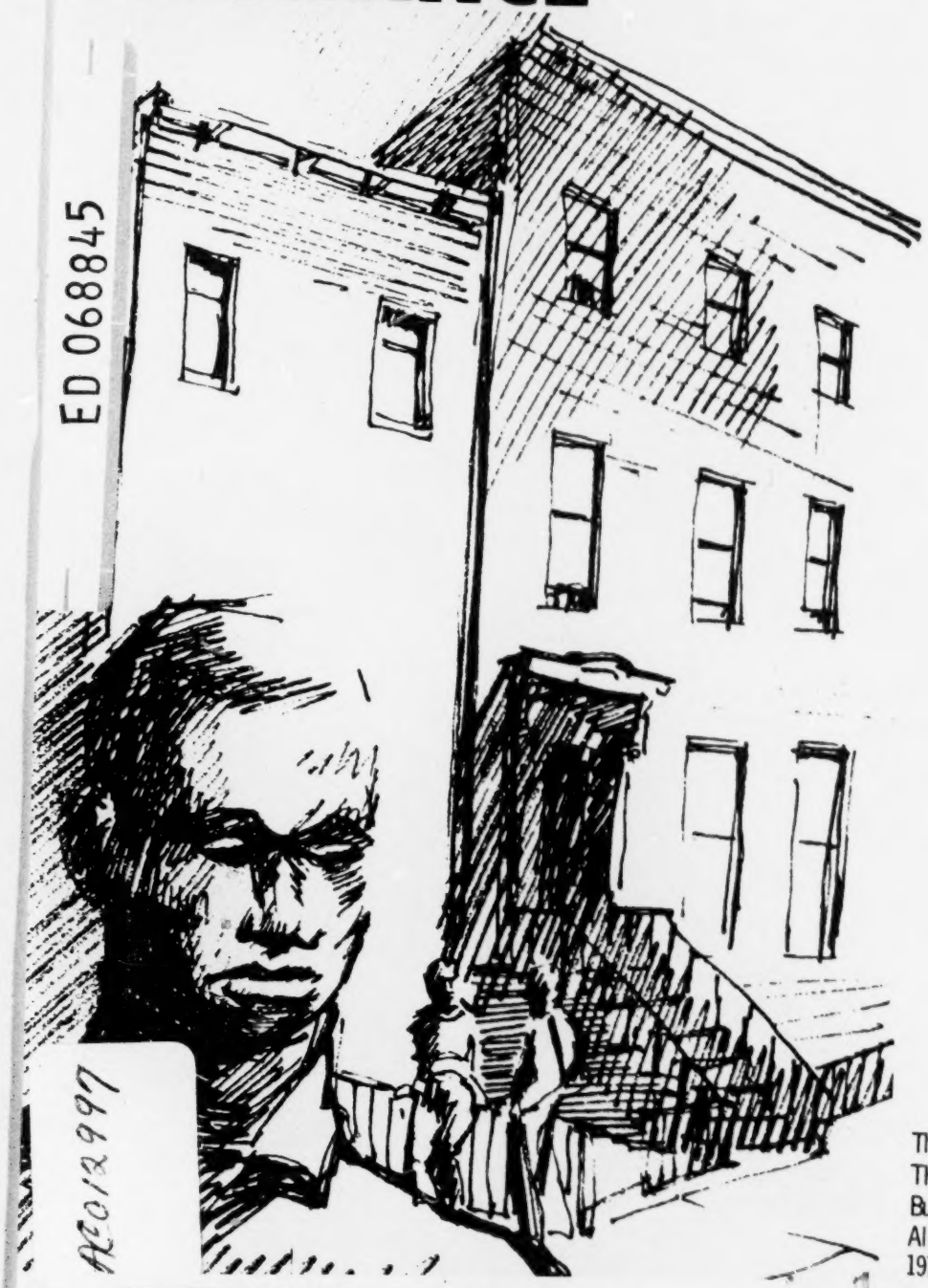

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The University of the State of New York
THE STATE EDUCATION DEPARTMENT
Bureau of Secondary Curriculum Development
Albany, New York 12224
1972

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THE CONSUMER LOOKS AT HIS AUTOMOBILE INSURANCE

One of a series in Expanded Programs of Consumer Education

Automobile insurance is increasingly costly
with higher cost for judgments, claim settlements, and repairs.

PRINTED THROUGH THE USE OF ESEA TITLE I FUNDS

The University of the State of New York/The State Education Department
Bureau of Secondary Curriculum Development/Albany/1972

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FOREWORD

In 1967, the State Education Department published "Consumer Education – Materials for an Elective Course." This material has since been introduced into more than 500 of the New York State high schools. As a result of the interest in Consumer Education in the State and Nation the Department has begun the preparation of a series of modules – Expanded Programs of Consumer Education. This module, The Consumer Looks at His Automobile Insurance, is the sixth to be produced. Those already distributed are:

Consumer Issues and Action
Education and the Consumer
The Consumer and Recreation
Consumer Problems of the Poor
The Consumer and His Health Dollar

It is expected that other modules will be produced in the fields of:

Beauty Products and the Consumer
The Consumer and His Tax Dollar
The Consumer and Transportation

Nothing touches the lives of the disadvantaged more than the constant struggle to stretch limited financial resources to meet the increasing costs of living. This module is designed in the hope that it will help the poor to make better use of their income, as well as with the expectation that those of higher income will be more understanding of the problems of their fellow citizens.

Unlike the original syllabus, where 12 units covering various phases of Consumer Education were bound together, the modules in Expanded Programs of Consumer Education are being prepared as separate publications to provide greater flexibility. Each of the nine modules in the series may be used as a discrete unit, or with other units in the series. The nine modules may be presented as a semester or part of a semester course, or presented in conjunction with the original syllabus which covers such areas as the purchase of food; shelter; appliances; automobiles; and a consideration of credit; money management; fraud, quackery, and deception; banking and savings; life and health insurance; security programs; and consumer law.

It is hoped that the presentation of the modules as separate publications will tend toward flexibility in their use as mini-courses in such fields as social studies, business education, home economics, industrial arts, agriculture, and other areas of the curriculum.

The suggestions to the teacher found in "Consumer Education – Materials for an Elective Course," pages 1-4, apply equally to each of these modules. The reaction and suggestions of those using these materials in the field will be helpful to the Department in planning further materials for Consumer Education and in making necessary revisions of the material.

The original material for this module was developed and written by Robert E. Colton, business education teacher, Hauppauge High School. Hillis K. Idleman, associate in secondary curriculum development, revised the material, made some additions, and prepared the module for publication.

The Department acknowledges with appreciation the suggestions of all those who reviewed the manuscript and in particular the following who made substantial contributions:

Martin Rosen, chairman, Consumer Education Committee, New York State Council on Economic Education, Farmingdale High School

Fabian Englander, member, Consumer Education Committee, New York State Council on Economic Education, Nyack High School

Members of the staff of the staff of the State of New York Insurance Department (See the statement of Superintendent Benjamin R. Schenck concerning automobile insurance reform on facing page.)

Gordon E. Van Hooft
Director, Division of
School Supervision

STATE OF NEW YORK
INSURANCE DEPARTMENT
123 WILLIAM STREET
NEW YORK 10038

BENJAMIN R. SCHENCK
SUPERINTENDENT OF INSURANCE

May 26, 1972

Mr. Hillis K. Idleman, Associate
Bureau of Secondary Curriculum Development
The University of the State of New York
The State Education Department
Albany, New York 12224

Dear Mr. Idleman:

I would like to compliment the Bureau of Secondary Curriculum Development on its excellent job of preparing The Consumer Looks At His Automobile Insurance.

Automobile insurance reform is one of the primary consumer issues in the country. We believe that through the passage of meaningful no-fault automobile insurance laws, hundreds of millions of dollars in insurance premiums could be saved annually. Not only would the consumer receive this saving, but he would get a far better value for the premium dollar he does spend.

Sincerely yours,

Superintendent of Insurance

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INTRODUCTION

THE CONSUMER LOOKS AT HIS AUTOMOBILE INSURANCE

Automobile insurance is one of the prime areas of consumer dissatisfaction today. It touches nearly everybody's pocketbook, whether he owns or rents a car.

One of the most controversial issues in the 1971-72 session of the New York State Legislature was that of "no fault" insurance. The debate continued for months. Lengthy hearings were held by the Insurance committee. Newspapers featured stories and printed editorials on the controversy. In general the press, the public, consumer interest groups, and some of the companies handling automobile insurance favored one type or another of no fault insurance.

On the other side of the controversy were some of the automobile insurance companies and many representatives of the legal fraternity. This module will deal with the issues involved in the debate and will attempt to present the viewpoints of those on both sides of the conflict.

With the increasing number of cars on the road, the continuing toll of injuries, fatalities, and collisions, and the mounting auto theft rate, auto insurance premiums have become almost prohibitively expensive, especially in urban areas. Although the "good risk" has a choice of insurance companies, the poor risk often cannot obtain insurance at any cost. A further problem is that, when an accident occurs, settlement is often delayed for long periods because of the backlog of cases on the court calendar. When settlement is finally reached, too often it is unfair, either overpaying or underpaying the claimant. The final blow is that such a large part of any settlement goes to pay court costs and attorneys' fees.

For these reasons the majority of people are dissatisfied with the way automobile insurance is handled today. Insurance companies, however, contend that the premiums must increase if they are to continue to make a profit. Thus the problem will grow worse instead of better unless some fundamental changes are made.

The Government - and part of the industry itself - has recognized the need for reform, and wants to make insurance do a better job for the consumer (and for the general public).

Transportation Secretary, John A. Volpe, in an address before the American Bar Association, July 1971, said, "The present system ill serves the accident victim, the insuring public and society at large. It is basically inefficient, expensive, incomplete, and slow. It allocates benefits poorly and unevenly. It discourages the use of rehabilitative techniques. It overburdens the courts and the legal system. Both on the basis and the logic of its operation, it does little if anything to minimize crash losses."

With the understanding that what Secretary Volpe said is true, obviously automobile insurance is not accomplishing its prime purpose - to serve the purchaser of auto insurance, the accident victim, and citizens generally. In such a situation, can the consumer afford not to ask questions and investigate other possibilities for improvement of a situation that affects his economic and social and personal well-being? By his active participation and through his elected representatives, the consumer seeks a system which will be fair to the insured, to the insurers, and to the public who may suffer loss.

Students, as present and future consumers of auto insurance, have a need to know how our present system works, what they are protected against, the inequities of the present system, the costs involved, what changes are being proposed, how these changes will affect them, and what the major provisions of these new proposals are. They then must decide whether changes are necessary on a state basis or an all-encompassing Federal level.

Similarly, students should become aware of recent and proposed improvements in automobile design, and how these changes will affect them as car owners, as well as the effect safer cars will have on insurance costs. They should learn both how to shop for automobile insurance and how to bring about desirable changes in the insurance system.

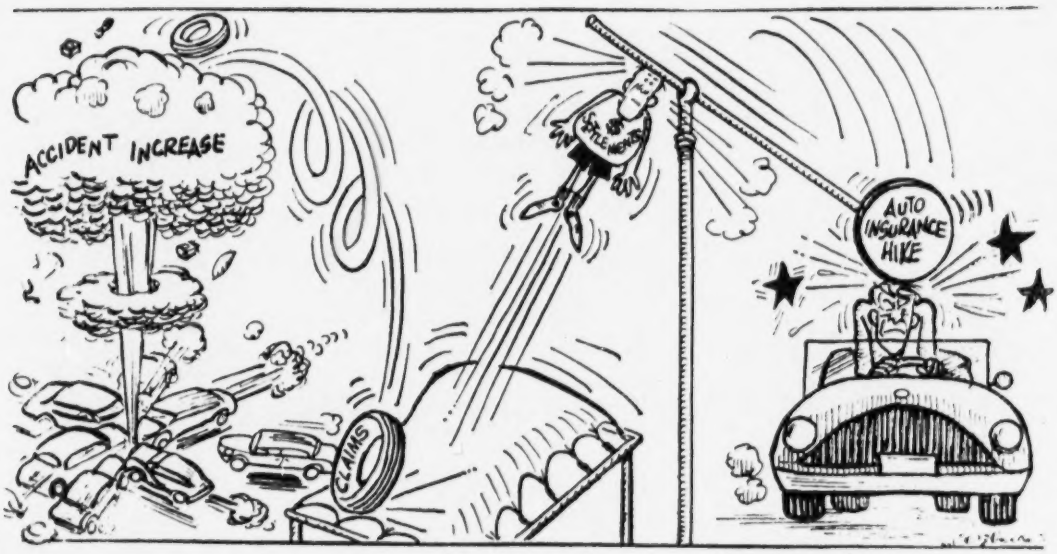
Finally, students should understand that their Government at all levels shares the consumers' concern, and what steps their Government is taking to improve the situation.

Newspaper articles and periodicals such as Consumer Reports and Changing Times offer an excellent opportunity to keep up to date in this dynamic consumer field. Students should also check current issues of such periodicals as National Dragster, Hot Rod, Popular Mechanics, Mechanix Illustrated, Motor Trend, and Popular Science. In addition, they should be encouraged to read "Automobile Insurance ... For Whose Benefit?" - A Report by the New York State Insurance Department to Governor Nelson A. Rockefeller (1970), and other reference material dealing with auto insurance.

As a result of the study of this module, students should:

- understand how the present automobile insurance program developed and the unsolved problems inherent in the present system
- exercise choice, based on informed opinion, in the selection of their automobile insurance
- know the criteria for a system that is more nearly just and equitable for all
- be sufficiently acquainted with the proposals for change so that they can intelligently discuss and decide their value
- be able to state the advantages that proponents claim for the no fault proposal
- be able to state the objections that are advanced by the opponents of no fault insurance
- be familiar with effective ways to make their views known to those who make policy determinations resulting in legislation at both the State and Federal level

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
WHAT ARE THE CAUSES OF THE WIDESPREAD DISSATISFACTION WITH PRESENT PRACTICES IN THE AUTOMOBILE INSURANCE INDUSTRY?	. Show filmstrip "Automobile Insurance," detailing the need for protection and coverages. . Have any of the students been refused automobile insurance through normal channels? . Have the students' families been refused? . Have rates been raised after a claim? . Was the rate rise justified? . Have the students felt they were treated unjustly when a claim was made? If so, what were the circumstances? . Do the students feel it is fair to charge a teenager as much as $450 a year or more for automobile insurance?	. Insurance Information Institute, 110 William Street, New York, N.Y. . "Automobile Insurance ... For Whose Benefit?" A Report to Governor Nelson A. Rockefeller by the State of New York Insurance Dept., 1970, p. 3: "A typical driver has a better than even chance of having an accident every three years; just about every driver will have an accident sometime. Our present tort fault liability system for compensating the victims of automobile accidents has been authoritatively criticized as slow, expensive and unfair. "The system has remained essentially unchanged while the nation has passed from the horse and buggy era to an age dominated by the automobile - with the highway accident an all-too-common occurrence."



Perpetual motion L.I. Press, 1/19/70

(Cartoon courtesy Long Island Press, 1/19/70)

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	. Ask an insurance agent to discuss the problems and achievement of auto insurance with the class. Have the class prepare questions for the agent to answer based upon the problems they and their families have had getting insurance, meeting mounting insurance costs, and settling claims.	. U.S. News & World Report, "Ahead: A New System of Auto Insurance?" (interview with W. O. Bailey, vice president, Aetna Life & Casualty Co.,) 4/28/69, p. 64: "If the American people want an efficient system that speedily compensates every victim of an auto accident for his economic losses - and I think society increasingly wants just

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
		that - then the no fault system is the logical answer. It may be some time away yet, but a major overhaul of our existing system is inevitable."
. America has more roads and more cars on the roads than any other country in the world. Almost all adult Americans drive a car for business or pleasure.	. List road mileage in various countries and compare these statistics with U.S. records. Do we have fewer or more injuries and fatalities per mile and per car? Why might this be so?	. The World Almanac . Encyclopedic Almanac . State Department of Transportation
. The use of the automobile in our country has resulted in a steady increase in traffic deaths - up about 50 percent in the past 10 years.	. How many automobile fatalities have occurred in the students' community in the last year?	
	. Make or obtain a map from the Police Department pinpointing the location of each local fatality, or invite the local traffic safety director to visit the classroom to give this information.	. Local police or traffic safety department
. As claims for injuries and property damage have increased, as auto thefts have increased, and costs of repairs soared, the costs of automobile insurance have likewise risen.	. In how many cases were teenage drivers involved?	. Better Homes and Gardens, 11/71: "One reason insurance companies have been losing money is that costs resulting from car accidents have skyrocketed in recent years. From 1962 to 1969, deaths rose over 38 percent, injuries almost 50 percent and economic losses jumped 94 percent. (During that same period, the number of licensed drivers increased only 16.8 percent.) Along with the rise in accidents, medical, auto repair, and legal expenses also burgeoned. The hikes in insurance rates — often held down by

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
		state insurance boards — just have not been enough to cover."
. The average driver will make 200 observations and 20 decisions for each mile he drives. With this many decisions to make, even the best driver may be involved in an accident.		. U.S. Senator Philip A. Hart, "The Case For No-Fault Insurance," Moneysworth, 110 W. 40 Street, New York, N.Y. 10018, 3/8/71
	. List the yearly fatality figures in the United States from 1961 to 1970.	. "Insurance Facts" also "Traffic Accident Experience in the U.S.," published by the Insurance Information Institute, 110 William Street, New York, N.Y. 10038, 4/71, p. 5
. Traffic fatalities have become the third leading cause of death of those under 35.		. Lazarus, Simon, "No-Fault Default," The New Republic, 381 W. Center Street, Marion, Ohio 43302, 4/17/71
	. Chart the 10 prime causes of death in the United States.	. World Almanac
	. Debate: Education of youthful drivers and re-education of older drivers would reduce fatalities.	. "Price Variability in the Automobile Insurance Market - Department of Transportation Automobile and Compensation Study," U.S. Government Printing Office, 1970, p. 233: "The term high risk driver, used here means a driver who operates his
	. Secure a copy of "Insurance Facts" from the Insurance Information Institute, 110 William Street, New York, N.Y., and report on the specific	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	numbers of high risk drivers by age groups.	automobile recklessly, while drinking, at high speeds, or in any other irresponsible manner. "Second, high risk drivers are more frequently found in the 16-25 age category and the 50 years and older category." p. 237
. Along with traffic fatalities, economic loss has also been increasing. The more severe the accident, the greater the time lost in work hours. There is a $16.5 billion economic loss each year.	. Ask students to state "economic loss" in terms of the number of average-size homes, the number of average-size automobiles, schools, etc., that might be purchased for this amount of money.	. "Automobile Insurance ... For Whose Benefit?" p. 3: "At the present moment, automobile injuries alone occur at a rate of 10,000 per day. This is 50 or more times the casualty rate of the war in Vietnam... Accidental death and disability indeed, became, in the words of the National Academy of Sciences, 'the neglected disease of modern society'." . Parents, relatives . Lazarus, Simon, "No Fault Default," The New Republic, 4/17/71, p. 19
. There is a growing need for greater protection for the motorist. Society must protect itself against severe loss.		. Worsnop, Richard L., "Auto Insurance Reform," Editorial Research Reports, 1735 K Street, N.W., Washington, D.C. 20006, 1/13/71, p. 32: "The fundamental principle of insurance of all kinds is the sharing of

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	. Have students give examples of how risks are shared (mountain climbers roped together, airplane crews or football teams dependent on each other, children holding their mother's hands crossing a street, policemen working in teams of two, etc.)	risks. In other words, many persons make small contributions - or premiums - as a safeguard against severe loss or financial hardship in the event of a traffic accident, a fire or other misfortune."
WHAT ARE THE SOURCES OF AUTOMOBILE INSURANCE?		
. Some insurance companies sell insurance through the mail. . Some use agents who work only through one company. . Some companies sell through individual agents who may represent several different companies.	. Poll the class to see what types of automobile insurance policies are held by their parents. How many policies are from mail order companies? How many are from companies with local representatives? . Make a chart showing the ratio of family policies bought through the mail, from an agent, and those which are group policies secured through the employer. . Are the rates the same for similar coverages? If not, what are some of the reasons why they are not the same?	. "How to Buy Auto Insurance Today," Changing Times, 1729 H Street, N.W., Washington, D.C. 20006, 7/71, p. 6
WHY IS IT IMPORTANT TO CHOOSE AN AUTOMOBILE INSURANCE COMPANY WITH CARE?		
. The most important single factor in insurance is safety, that is the assurance that the policy protects the insured		

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
from financial loss. Thus, it is wise to buy insurance from a company registered in the State and under the regulation of the State Insurance Department. . A second factor is service. In choosing a company one should seek a company that has a good reputation for fair and prompt claim settlement. . Third, it pays to shop for automobile insurance, as rates may vary for the identical coverage in the same area. . Finally, whether you wish an individual, personal response from an agent, or a more impersonal response from a company will be one further factor in determining where you shop for your insurance.	. Dramatize the need to shop for automobile insurance by having the class write and participate in a skit, "George Shops for Auto Insurance." Base the skit on the responses to an identical letter sent to 10 insurance companies. In the letter explain that the class is studying automobile insurance and wishes to compare rates and service. Set up a hypothetical case such as the following: What are the rates for 10/20/5 coverage for a young woman, aged 19, single, employed as a clerk/typist in a government agency who: - lives at home in the city of Yonkers, - drives 4 miles each day to work - does not carry passengers for pay - has no other family members using the car	. "How to Hold On to Your Auto Insurance," Moneysworth, 11/30/70 . See illustration on p. 12 of a typical application form upon which a company bases its rates. . Application for rate forms from a number of insurance companies

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	- drives a total of 12,000 miles a year - seeks liability coverage only - has no record of traffic violations - passed a driver training course (Check several insurance application forms to see if further information would be necessary before a quotation could be given.)	
HOW ARE MY RATES DETERMINED?		
. By locality . By state . By company, according to the company's loss experience and state controls	. Secure data from local agents on rate differentials for minimum coverage (10/20/5) in your area and surrounding areas. . Why does the locality and the state in which one lives affect the costs of insurance? . How would the company's loss experience affect rates? . Why might the degree of state control affect rates?	. Local agent . "How to Buy Auto Insurance Today," Changing Times, p. 6 . The figures 10/20/5 mean that your insurance company is liable up to $10,000 for any one person who is injured, and is responsible up to $20,000 for all persons injured in the same accident. The insurance company will pay for damages to other persons' property caused by you up to $5,000.

Examples of factors taken into consideration in classifying insurance applicants

DIGEST OF IMPORTANT FACTS about YOUR AUTOMOBILE INSURANCE

AUTOMOBILE MUTUAL INSURANCE COMPANY OF AMERICA
FACTORY MUTUAL LIABILITY INSURANCE COMPANY OF AMERICA

PRIVATE PASSENGER RATE CLASSIFICATION: Since your last policy was issued, the private passenger car insurance classifications have been revised and expanded to include additional rating factors.

HIGHLIGHTS OF THE REVISED PLAN

Unmarried female operators under 25 years of age now require a higher rate than heretofore, but it gradually diminishes until age 25, and is still not as high as male operators in the same age group.

The premiums for all youthful male operators now gradually decrease each year instead of remaining at the same level until age 25 and then dropping abruptly to an adult rate.

Unmarried male operators who are car owners or the principal operators must pay the gradually decreasing premiums each year until reaching age 30; if married, or not owners or principal operators, the higher but decreasing rates apply until age 25.

The Driver Training Credit now applies to unmarried females as well as all male operators up to the age of 21.

A female operator from 30 through 64 years of age who is the only driver in the household is entitled to a premium credit of approximately 15%.

Unmarried males and females under 25 years of age, not owners or principal operators, who are resident students at a school or college over 100 road miles from the principal place of garaging of the automobile (car not at school) are entitled to a reduction in premium.

Rate differentials continue for use classifications such as pleasure, business, commuting to work, use by a farmer or use by a clergyman.

Rates are reduced for drivers age 65 or older. The driver must be the principal operator of the car and the reduction does not apply if an additional charge has been made for a youthful operator.

The revised Plan now applies to Comprehensive Fire and Theft coverages as well as to Bodily Injury, Property Damage, Medical Payments and Collision.

– ADDITIONAL RATING FACTS –

TWO OR MORE AUTOMOBILES: Two or more automobiles, owned by an individual or jointly owned by relatives living in the same household and insured in the same company, receive a *credit* of approximately 15% (5% in New York City area) on each car. If rated high for a young operator, a reduction still applies.

Youthful Operators — If there are two or more automobiles in the same household and there are one or more male operators under 30 years of age, or females under 25, the higher rate for youthful operators applies only to the number of automobiles equal to the number of such operators.

SAFE DRIVER INSURANCE PLAN: The intent of this plan is to reward the driver with the unblemished driving record. Under the Safe Driver Insurance Plan the basic rates are increased various percentages under a point system for accidents and certain motor vehicle convictions that occur during a three year period. For instance, for a single car owner, this modification to the basic rate varies from zero for the driver with no Safe Driver points against his record, to 180% for the driver with a maximum of four points.

MILITARY SERVICE: An individual in active military service with the armed forces of the United States of America shall not be considered a resident of the insured's household for rating purposes, unless such individual customarily operates the automobile.

APPROVED DRIVER TRAINING CREDIT: Private passenger automobiles driven by operators under 21 years of age receive a credit where satisfactory evidence is presented that operators under 21 years resident in the insured's household have successfully completed a driver training course sponsored and approved by competent educational authorities and conducted by a certified instructor.

The period of instruction shall consist of at least thirty hours of classroom study and six hours actual driving experience, or thirty hours of classroom study, three hours actual driving experience and twelve hours in an approved device which simulates practice driving.

CLERGYMEN: Automobiles owned by clergymen are not considered used for business or as being driven to or from work.

FARMERS: A reduction is applicable if the automobile is principally garaged on a farm or ranch and is not used in any occupation other than farming.

IMPORTANT: Every item on the questionnaire enclosed with this mailing is necessary in the determination of the correct premium charges under the new Plan. It is, therefore, essential that you answer each question carefully and return the form to us promptly.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	. Have the information obtained from insurance agents include differences in premium costs because of — - sex - age - driver training - use of car - driving record . Compare the information obtained with parents' policies for the same coverage.	
. Other factors are also considered: - How the car is being used — for business, for pleasure, for farm work.	. Have students make charts showing the ratio of business-to-pleasure use of parents' cars. . Why are rates higher for those who use their cars in business? . Why are rates lower for farmers?	. Local agent
- Age — Teenagers are considered poorer risks than older drivers.	. Debate: Teenage boys are poorer automobile insurance risks than teenage girls. . Some companies that originally charged more for drivers over 64 years of age have since lowered rates for the older drivers. Why might this be so?	. Local agent . Prial, Frank J., "Cars Called Youths' Biggest Peril," New York Times, 9/19/71: "The study by the National Transportation Safety Board says: 'Thousands more 15- to 24-year-old drivers than their proportional share of all drivers are dying on American highways each year.'"
- Sex — Some companies give lower rates for female drivers and further break down the rates to give a preferred status to women 30 to	. Why might insurance rates be lower for females than for males? for females from 26 to 64 as contrasted to females under 26?	

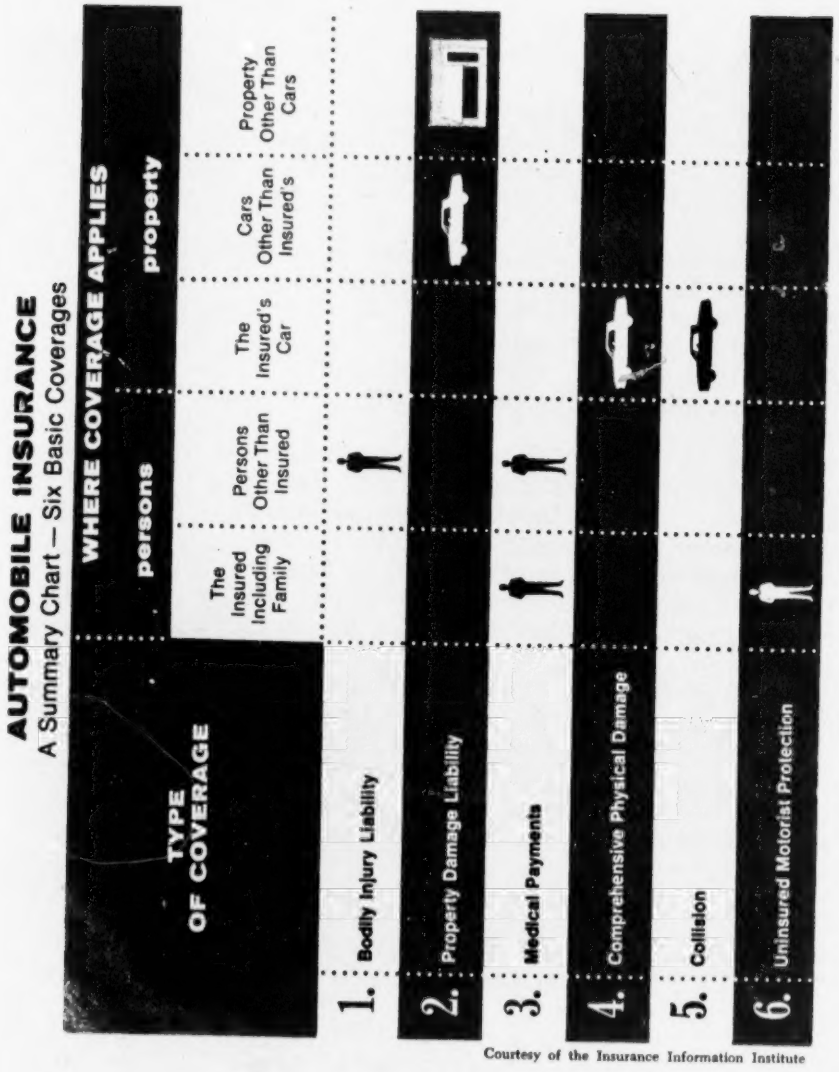
UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
64 over those older or younger than this group.	. From "Insurance Facts" gather information to reveal the disproportionately high number of young drivers involved in automobile accidents.	
- Occupation — Rates may differ for different occupational groups.	. List categories or groups of drivers other than teenagers whom insurance companies may consider poor risks. Why are they considered poor risks? - should insurance companies be permitted to classify certain groups or occupations as poor risks and refuse insurance or charge higher rates for these categories? (Look at the situation from both the point of view of the company and the applicant.) . Using two colors to denote teenagers and nonteenagers, shade the fatalities record accordingly on the chart previously secured from the local police department.	. Marks, Seymour, "Bias in Auto Insurance," Long Island Press, 1/20/70, p. 15, Press Building, Jamaica, N.Y. 11433 . Worsnop, "Auto Insurance Reform," p. 32: "Among the occupations labeled 'ineligible risks' in the underwriters' manual of a major insurer are actors and actresses, garbage haulers, taxi drivers, dance-hall operators, professional athletes and concert musicians; the same company's list of 'questionable risks' includes beauty-parlor operators and employees, fruit, vegetable and poultry dealers, and tavern operators."

"Who knows how he drives? You can see he belongs in the assigned risk pool."

Cartoon courtesy Long Island Press, 1/20/70

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
- Marital status — A married man is considered a better risk than a young bachelor.	. Debate: A married man is apt to be a more thoughtful - and therefore a better - driver than a single man.	
- Mileage — Greater mileage driven may result in increased premium cost. The rate of premium may be determined by the number of miles driven to and from work, or by the total number of miles driven in a given period of time.	. Poll the class to determine how many miles the students usually travel in a day — - during the school year - during summer vacation . On the chalkboard, note the number of accidents involving the students during each of these periods of time. Can any conclusions be drawn from these data?	. Local agent
- Safe driver — A safe driver is best described as one who has driven for 3 years without a chargeable accident. A great degree of skill and care must be exercised in the 3 year period to avoid an accident.	. How many of the students' friends are "safe drivers"? Canvass local agents to determine those companies which offer a plan which would reduce the premium of those students satisfactorily completing or having: - a school-sponsored driver education program meeting national standards - high scholastic averages - multiple vehicles in family	. "How to Buy Auto Insurance Today," Changing Times, 7/71, p. 9: "A good part, if not a majority, of auto policies are also rated according to some variety of "safe driver" plan in which premiums are increased for three years or longer in step with "points" accumulated for chargeable accidents and traffic convictions. One point could boost the premium by 40 percent; two points 90 percent; three points, 150 percent, and four or more, 220 percent." . Your school driving instructor

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
- Special ratings are often given for: - good students - those taking driving training - families with multiple vehicles.	. Have students write to the State Education Departments in various states to determine the extent of driver education courses in the high schools of their states. Also question the duration of the course, the number of actual driving hours per student, and at what age or grade level instruction is offered (at age 16, 12th grade, etc.). . Show these statistics in chart form. If possible, chart all of the states.	. Ibid., p. 9: "If your son or daughter ranks in the top 20 percent of the class, or has a B or better average,or is on the dean's list, ask the company whether it has a good-student discount." . "The Auto Insurance Story - Let's Look at the Record": National Association of Independent Insurers, 30 West Monroe Street, Chicago, Illinois 60603, p. 12
WHAT ARE THE DIFFERENT KINDS OF AUTOMOBILE INSURANCE WHICH CAN BE PURCHASED?		
. The common auto policy actually consists of a group of individual coverages, each of which can be bought separately.	. Ask the class to list the kinds of loss that could occur as a result of automobile operation. These might include injury to the driver, to passengers in his car, to pedestrians, to occupants of another car,or to property. Losses and expenses might include loss of income, medical expenses, towing charges, etc.	. "How to Buy Auto Insurance Today," Changing Times, 7/71, p. 9 . Show filmstrip, "A Teacher's Guide to Automobile Insurance," Insurance Information Institute, 110 William Street, New York, N.Y. 10038.



Insurance Information Institute

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. One type of automobile insurance coverage is called Liability (compulsory in New York State).	. Ask the students to define the words, "liability" and "indemnify."	. Black, "Law Dictionary," 4th ed., West Publishing Co.
	Try to make the words meaningful by having each pupil make a simple cartoon or line drawing to illustrate what he thinks the word means.	. Local automobile insurance agent . Local attorney . School library

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	. Start a glossary and scrapbook of insurance terms and representations.	
. The insurance company promises to pay on your behalf (to the limits set by your policy) for bodily injury that you may have caused someone, and damage that you may have done to someone's property, when you are legally liable for the accident.	. Who determines liability? Have students contact a - lawyer - judge - insurance agent Compare answers from each.	
	. Arrange for the class or a committee of students to visit a trial where auto liability is the issue. Discuss the reactions of the group to the trial and to the verdict.	
. Your liability insurance also provides that your insurance company will defend you if someone sues you for damage or injury caused by your vehicle.	. Give reasons why it is important to have adequate liability coverage. Relate this to the outcome of the trial witnessed by the students.	
	. Secure copies of "Report of Motor Vehicle Accident," MV 104, from local motor vehicle bureau.	. Local Motor Vehicle Bureau
	. Picture an auto accident situation on the chalkboard. Have students fill in MV 104 forms relating to this accident.	. Constantin, Robert W., Sue or Settle, Crown Publishers, Inc., New York, p. 27: "In order to recover, you will be required to substantiate any alleged injury or damages, and you must be free from contributory negligence and able to prove that the person from whom you are attempting to recover was in fact negligent. Negligence is defined as 'the failure to exercise a degree of care equivalent to
	. Apply rules concerning "liability" to determine who is at fault in this situation.	
	. Ask an attorney to explain to the class the meaning of "contributory negligence," "liability," and "last clear chance." Role	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	play situations in which a jury of students must determine whether there was negligence on the part of one or both drivers and the extent to which the other driver "contributed" to the negligence.	that which an ordinarily careful and prudent person would exercise under the same or similar circumstances.' In addition to meeting these standards, one is also obligated to take advantage of any 'last clear chance' to avoid an accident. If appropriate, this requirement could be satisfied by a driver's attempt to stop, swerve, sound a warning, or perform some similar act."
. Liability protection applies to the policyholder, family members, and others who drive the car with permission of the owner.	. Ask the students what bodily injury protection their policies or their families' policies provide. Consider a situation in which a young father is killed. What might his lifetime earnings have been? Might a jury take his lifetime earnings into account when making an award? . Do student drivers think the protection they now have is adequate? . Have students role play a situation in which a man and a child have been injured in an auto accident. Who will pay for the medical expenses, the damaged cars, the time lost from work, the pain and suffering? . How will responsibility be assigned?	. Cole, Robert J., "Personal Finance: 'No Fault' Policy," New York Times, 9/30/71: "Two cars collide at a busy intersection. A man in one automobile loses an eye. A child in the other is paralyzed for life.

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	. How much time delay may there be?	Under today's insurance system, both look first to such benefits as Blue Cross and Blue Shield, major medical insurance and any other coverage they may have. Then they sue for damages."
. You, the policyholder, and members of your family are also covered if you drive someone else's car with his approval.	. Include in the scrapbook already started clippings regarding automobile accidents, locally and on a national scale.	
. Your insurance company will pay for injuries to a guest in your car - even if the injury was your fault.	. Have students note the number of people injured in each case, and the cases where more than one was injured.	
. Every policy specifies the maximum amount the insurance company will pay.	. Invite an insurance adjuster and a claims representative to discuss representative cases, including costs for property damage, bodily injury and collision damage.	. Local insurance representative
	. Ask each what was the largest claim paid by his company during the year? What coverage does he recommend in light of today's costs?	
	. Have a committee of students investigate the cost of replacing: - a fender - an entire new, medium priced car - a 4-inch diameter maple tree - a 100-foot section of chain link fence	. Local body shop . Automobile dealer . Local nurseryman . Local fence company
	. Have each student choose a property coverage from $1,000 to $10,000 which he thinks is adequate.	. "How to Buy Auto Insurance Today," Changing Times, 7/71

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	. Ask each student to give reasons why he thinks the amount chosen is adequate.	
. The amount of liability insurance which must be carried in New York State is presently 10/20/5.	. Do the students think this minimum coverage, made mandatory by State law, is adequate? . Have students give reasons, based on replacement cost investigation (activity just completed) or actual experience, to justify their opinions.	. "Automobile Insurance ... For Whose Benefit?" p. 41: "Expensive as it is, the compulsory amount of automobile liability insurance is not enough either to assure victims of full compensation or to protect the vehicle owner against personal liability in a case of serious loss (which may or may not be occasioned by anyone's correspondingly serious 'fault'). The Insurance Department has for the last several years recommended legislation to increase the limits on compulsory automobile liability insurance."
. It is wise to have more coverage, if you can afford it, because many claims run above the State minimum requirements.	. Give reasons why 100/300/10 coverage may be a wise purchase.	. Changing Times, 7/71, p. 7
. Purchasing additional property insurance above the $5,000 required is proportionately cheaper and should be considered.		
. Over half the total premiums paid for auto insurance are for liability protection.		. Worsnop, Editorial Research Reports, 1/13/71, p. 36

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
Medical Payments (voluntary) -		
. This coverage pays for your own and your passengers' medical expenses, even if you were to blame.	. Ask the students if they think this coverage should be made compulsory. Discuss whether insurance companies should include payment for lost wages also. Why or why not?	
. You are also covered by this insurance if you are injured while riding in another person's car, or when struck by a car while walking.	. Have students poll family and friends to see what medical expenses have cost following an automobile accident. Have students write up each case briefly and post the cases on a display board. Discuss the most interesting cases.	. Friends . Relatives
. Policyholders can get $5,000 of medical expense coverage for less than twice the premium charge for $500.	. Ask the students what medical coverage they would consider adequate. Why? . Write the State Insurance Department to learn (for New York State) how the automobile insurance premium dollar is distributed. How much goes for profit? for expenses? for claims? for claim adjustment expense? for other items?	. Local agent . Margolius, Sidney, "Auto Insurance: The Need for Reform," published in the AFL-CIO American Federationist, 12/67, p. 3: "At present, the dollar you pay for auto insurance is estimated to be distributed in this manner; 5 cents for profit load and contingencies (3½ cents in New York State); 25 to 35 cents for expense load (administration, acquisition, commissions, field offices, advertising, home office, unallocated

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
		claim adjustment expense); 50 to 60 cents for claims and direct claims expense; 10 cents to allocated claim adjustment expense. Salesmen's fees of 15 to 20 cents of the premium dollar are the largest items in the expense load."
. Another coverage which is sometimes purchased along with medical payments is accidental death benefit.	. Accidental death benefit coverage is presently voluntary. Should it remain so? Debate this question. . Do students feel this is a necessity for teenage drivers? for married men? Why?	. Changing Times, 7/71, p. 8: "Accidental death. This coverage, not bought as widely as the others, pays a lump sum for death in a car accident, loss of a limb, blindness, fractures and dislocations, plus a weekly sum for disability. The accidental death benefit often overlaps compensation from liability and other insurance."
Collision (voluntary)		
. Collision insurance is ordinarily sold subject to a deductible amount - $50, $100, or more. This means that you must pay the first $50 or $100 of the repair bill and your insurance company will pay the balance of the cost.	. Determine whether local banks or auto finance companies require collision insurance before granting new car loans. Why? . Investigate how the insurance company arrives at an amount to pay for a car which has been damaged or "totaled out." Poll answers of all students to learn if procedure is standard among all local agents.	. Local bank . Auto finance company . Local agent or claim adjustor

Cartoon courtesy Long Island Press

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. The higher the deductible amount, the cheaper the insurance.	. What has been the experience of pupils and their families in settling claims for collisions? Were payments promptly made? Were payments fair in terms of actual costs?	. Fisk, McKee, & Snapp, James C., Applied Business Law, South-Western Publishing Company, New Rochelle, N.Y., p. 475: "Liability of an insurer under collision insurance is limited to direct and accidental loss to the insured's car caused by collision with another object or by upset. Only the actual cash value of the loss at the time of the accident is payable, and this amount may be subject to a deduction."

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
		(The deductible amount is in accordance with policy.)
. If you have collision insurance, your insurance company will pay for damage to your car up to a stated maximum when you collide with another car or an object, such as a telephone pole, a house, etc. Your company will pay you even if you are the one who caused the accident.	Gather data from among the students and their relatives who drive to learn the number who carry this kind of insurance. What is the deductible amount for each policy? . With collision coverage so costly, find out if the students and their families feel this coverage becomes prohibitive once a car has depreciated substantially in value. At what point of the car's value might it be wise to drop collision insurance and have the owner assume the risk?	. Parents, relatives . Students who own cars
Comprehensive (voluntary)		
. This coverage provides for payment to policyholder as a result of perils other than collision, such as loss caused by: explosions, falling objects, fire, flood, broken glass, lightning, missiles (rocks, baseballs, etc.), theft, vandalism, windstorm, collision with birds and animals.	. Secure a copy of a standard fire insurance policy and compare how "extended coverage" for a home is similar to "comprehensive" for an automobile.	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. Comprehensive insurance also provides money for renting a substitute car if your own car has been stolen.	. Discuss the importance of the rental provision when - - living in the suburbs or rural areas where transportation may be restricted to the automobile - a car is necessary for business - in any area	. "Know-How You Need in Renting a Car," Changing Times, 5/71, p. 15
Uninsured Motorist (compulsory)		
. This coverage protects you if you are injured by someone who does not carry insurance, or by a hit-and-run driver.	. Speculate on the type of driver who would not carry insurance, although he knows he would be breaking the law. . Have students check parents' policies to see whether they have this protection. . Dramatize a situation where an elderly woman crossing a road to reach her home is struck down by a speeding car, the driver of which drives away without stopping. What protection would the uninsured motorist clause provide her or her heirs?	. "The Auto Insurance Story," Let's Look at the Record!, p. 36: "Uninsured Motorist Coverage is coverage under which the insured's own company provides protection for bodily injuries and death when an uninsured or hit-run motorist is liable. It protects the car owner's entire family living in the same household if injured while in his car, in another car, (whether driver or passenger), while a pedestrian, or as a cyclist. It covers guests in the insured car. The coverage applies if the accident takes place anywhere in the United States, its territories, or Canada."

WHY IS OUR PRESENT SYSTEM OF INSURANCE CALLED THE "FAULT" SYSTEM?
Background Information

Our present fault system of automobile insurance centers on the rationale and operation of what we call "liability" insurance. Liability insurance accounts for nearly two-thirds of premium income from all lines of auto coverage.

Liability insurance was devised before the automobile was ever invented, and protected employers from financial ruin resulting from accidents to their employees or others. Later, liability insurance was adapted to protect the owner of an automobile, in the event he should injure someone while driving. Later still, consideration was given to protecting the victims of automobile accidents against drivers who were financially irresponsible - as evidenced by mandatory automobile insurance laws in most states.

In theory, the fault system of automobile insurance is based on the concept of negligence. Under this system, the victim must pay for his own expenses resulting from an accident -

a) in which he was the negligent party. Conversely, he should be compensated for his losses when he is the innocent victim, and the other party is found to be negligent.

b) in which neither party to the accident was negligent. In this case, the insurance company compensates neither.

c) both parties to the accident were negligent. In this case the insurance company pays neither.

* * *

"The cornerstone of the present way of handling the personal injury and property damage costs of automobile accidents is fault law which, when combined with insurance indemnifying against liability for fault, becomes what we will call the fault insurance system.

"Fault law is a collection of rules for determining, as between two or more individuals, who will bear the cost of an accident. The determinations are made on a case-by-case basis, with the cost being shifted from the individual on whom it fell only if some other individual can be shown to have been exclusively at fault. The legal standard for fault is based on what a hypothetical reasonable man would have done under the circumstances of the accident." "Automobile Insurance ... For Whose Benefit?" A Report to Governor Nelson A. Rockefeller, State of New York Insurance Department, 1970, p. 7

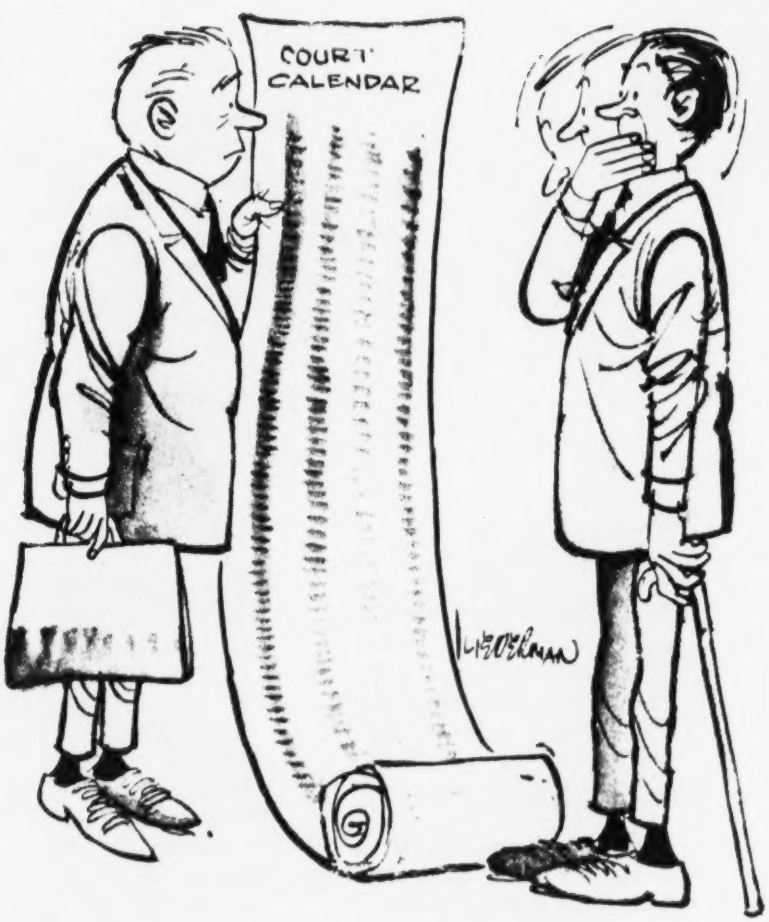
UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. In theory, under the fault system, the bad driver - the one who caused the accident and is therefore considered negligent - must pay for the damage he has done. Bad driving includes both careless driving and reckless driving.	. Invite a local judge to relate to the class his views regarding the operation of the fault system. How effective does he feel it has been? What changes, if any, does he recommend? . Make a field trip to the local traffic court. Based on the visit to the court, have the class give their reactions to the manner in which the fault system operates as exemplified by the cases heard. . Have the class add any personal experience or knowledge of how the system operates.	. Senator Philip A. Hart, "The Case For/ Against No-Fault Auto Insurance," Popular Science, 1/71, p. 56 . Changing Times, 7/71, p. 11
. Actually, the one "at fault" usually does not pay for the damage himself. His insurance company pays it for him to his victim, in return for the premium the insured has paid. . In order for the fault system to work, guilt must be determined: - by the insurance company - or by a judge or jury.	. Discuss the statement: "A careless driver should pay for his carelessness." . Have pupils contrive situations where "injury" takes place, and then ask the class to determine "fault." For example, one pupil may fall over the outstretched legs of another pupil and strike a desk. Where did the fault lie? With the pupil whose feet extended into the aisle? With the pupil who failed to observe the obstruction? With both? If there were a real injury, who should pay the bill for damages?	. "Insurance: The Road to Reform," Consumer Reports, 4/71, p. 223, Mount Vernon, N.Y. 10550 . Hart, Moneysworth, 3/8/71, p. 3: "Of course, if you have - besides liability insurance - collision insurance and medical-payments insurance, your car will be repaired and your medical bills paid regardless of who was at fault. But liability insurance is all that many people have, because this is all that most states require."

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	. Have pupils recount examples of auto accidents which they have observed or in which they were involved. From the facts given, who was at fault? Was it easy to determine fault? In how many such cases was there <u>some</u> fault on both sides, even if the <u>major</u> fault was on the part of only one party?	. Worsnop, "Auto Insurance Reform," <u>Editorial Research Reports</u>, p. 36 . Hart, <u>Moneysworth</u>, 3/8/71, p. 3: "Joe Fault and Sam Innocent are driving their cars, and they have a collision. Both of them are injured. Both of them have liability insurance only. Mr. Fault, of course, is at fault, and Mr. Innocent is innocent. So Mr. Fault's insurance company will pay to repair Mr. Innocent's car and pay whatever medical bills he has. But Mr. Fault's insurance company will <u>not</u> repair Mr. Fault's car and it will <u>not</u> pay Mr. Fault's medical bills. Mr. Fault must pay for them out of his own pocket because he was at fault. Let's suppose, however, that Mr. Fault is only mainly at <u>fault</u>, while Mr. Innocent is not entirely innocent. In that case (in most states), nobody gets anything. Both of them were at fault. Next, let's suppose that <u>neither</u> Mr. Fault nor Mr. Innocent were negligent - a third car, which drove

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
		away, was responsible for the accident. Again, neither Mr. Fault nor Mr. Innocent gets anything because neither of them was at fault."
	. Assume the victim of an accident has been hospitalized, and both parties are at fault. Dramatize the scene in the hospital with the victim's family present. Consider the pain and suffering of the victim, the mounting medical costs, the damage to the car involved, and the problems of a long-drawn-out lawsuit.	. Hart, Popular Science, 1/71, p. 56: "Can you imagine having to go to court and prove that your negligence didn't cause the fire before collecting insurance when your house burns down? Or seeking out the fellow who sneezed on you in order to sue his insurance company for hospital costs of your pneumonia?"
. A determination of guilt in some cases would probably entail a long and costly lawsuit. There are automobile accident cases where neither driver is wholly at fault; there are cases where both drivers are partly at fault. The conclusion may be that neither driver is compensated, and both must bear their own expense.	. Have students discuss the possibility that if neither party to an accident is "at fault" no money will be paid to either party — or if one party was mainly "at fault," in this case also no money would be paid to either party. Does this seem a "fair" way to treat the situation?	. In testimony before the U.S. Senate Antitrust and Monopoly Subcommittee, which has been investigating the auto insurance system for the last 2 years, T. Lawrence Jones, president of the American Insurance Association, said in December 1969: "The procedures necessary to determine legal fault include examination of the accident scene and the vehicles themselves, interrogation of witnesses, review of investigation by police officers, physical examinations,

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. If you carry the "voluntary coverages" - medical payments, collision, and comprehensive, and have an accident - your car will be repaired and medical bills paid (according to the terms of the policy), no matter who was at fault.		depositions, pre-trial conferences, and many other steps which take a great deal of time and cost a great deal of money. "In essence, the same procedures are followed whether a case ultimately goes to trial or not, thus building high cost into the system. The cost-building elements of this adversary system result in a return of premium dollars to the policyholder that is far lower than in other forms of insurance."
WHAT ARE THE MAJOR CRITICISMS OF THE FAULT SYSTEM?		
<u>The Fault System Is Slow</u>.		
. The necessity of establishing which driver was negligent, if any, and therefore, which driver, if any, is to be compensated, has become a "who shot John," fingerpointing contest - and there are so many cases that our courts are clogged.	. Make a scrapbook of clippings such as the following (true) cases: "A 76-year-old Brooklyn woman lost her husband in a car accident seven years ago and has yet to collect a penny of the benefits due her." <u>Albany Times Union</u>, 9/26/71. "The 10 largest auto insurers have outstanding against them 359,500 claims, 13 percent of them six or more years old." <u>Albany Times Union</u>, 9/19/71	. Hart, <u>Moneysworth</u>, 3/8/71, p. 3: "A study by the Federal Judicial Center found that motor-accident litigation accounts for (a) 11.4 percent of judge-time in Federal district courts, and (b) 17 percent of judge-time in state courts. And as Chief Justice Warren Burger has said, our overcrowded courts have made justice in this country more of a myth than a reality."

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	. Have pupils interview parents and community members. How long did it take to make settlement of claims? Why did it take so long? How could the process be speeded up?	. "Automobile Insurance ... For Whose Benefit?" p. 3: "Even where the fault insurance system pays something, it pays slowly. Injured victims of automobile accidents face average delays in collecting under automobile liability insurance that are ten times as long as the delays in collecting under collision, homeowners, or burglary insurance, and forty times as long as delays under accident and health insurance."



Cartoon courtesy Long Island Press

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. Determining the party at fault is costly and time-consuming. . It is not uncommon for some accident victims to wait years for compensation.	. List some of the possible financial consequences to a family which does not receive adequate and immediate cash following an automobile accident. . What would be the effect in your own family if the wage earner were out of work for a year due to an accident? if hospital bills of $70-100 a day had to be paid during this time? . Have students contact a local hospital to learn what daily costs are involved in most accident cases, in addition to room costs. . Role play a situation in which a claimant asks for early settlement and an insurance representative defends slow action by his company. How might the interests of the two parties differ? Is each person's action reasonable in terms of his own or his company's interests?	. "Traffic Accident Experience in the United States," Insurance Information Institute, 4/71 . "Automobile Insurance ... For Whose Benefit?" p. 21: "The length of time from injury to settlement is very important to injury victims. During that time there is likely to be hesitation to obtain the fullest desirable medical treatment, for fear of the burden of paying for it. If the victim is a wage earner, the family may well go on reduced rations, and even become a 'relief case' while awaiting the settlement."
. Studies have shown that it takes over 1½ years to settle a $2,500 claim, and a 4- or 5-year wait is not uncommon in some counties of our State.	. Dramatize a case in which victims are forced to take what they can bargain for, thereby avoiding the court procedure. . Interview a local judge, court clerk, or attorney to learn the number of cases settled out of court, as opposed to those which actually go to trial in your community.	. Ibid.: "The average delay in paying automobile personal injury liability claims in New York is well over a year." . Marks, S.: "'No Fault' Insurance, A Boon for Drivers?" Long Island Press, 1/21/70

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	. How would students feel about a delay of a year to settle an accident if they were involved? Would they consider settling out of court? Give reasons why they might wait, or what pressures might cause them to settle out of court.	. "Auto Insurance - No Fault in the Future?" Everybody's Money, Credit Union National Association, Box 431, Madison, Wisconsin, Summer 1971: "Fault insurance is also responsible for a backlog of court cases. Of New York State's 221,000 pending civil action cases, approximately one-half are auto accident cases. This means it may take years before your case is settled. In large cities or where large damages are involved, it may take as long as five years before a case is decided - in the meantime possibly forcing you into debt for an accident you didn't even cause."
. Studies also show that the larger the claim, the longer the wait will probably be for settlement.	. With the help of an attorney, plan a moot court in which an accident case is brought to trial. You will need a judge, plaintiff, defendant, their attorneys, witnesses, and a jury. After all the facts have been presented, ask the jury to reach a decision as to guilt and to render an equitable verdict.	. "Automobile Insurance ... For Whose Benefit?" p. 21: "The delays are long both in and out of court. The cases that go to trial, which involve the largest claims of all, encounter truly incredible delays - between four and five years in the largest counties in this state. But even for claims that do not go to trial, the fault

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
		insurance system takes a long time to pay. And the delays are getting worse, not better."
<u>The Fault System Is Unfair</u>.		
. The main social purpose of automobile liability insurance is to see that innocent victims are paid their losses. Opponents of the fault system claim: - many victims are shortchanged - many victims do not get what is due them - those who need the money the most - those with the largest claims and the greatest need - are under-compensated.	. Develop the analogy between the injustices of a fault system and some life situations by a skit depicting a family situation where: - some children are shortchanged in their allowance - other children get no allowance - those who need the allowance the <u>most</u> get the least and those who need the allowance the <u>least</u> get the most. . Illustrate the alleged unfairness by a series of cartoons.	. <u>Consumer Reports</u>, 4/71, p. 224: "One of the intolerable things about it (the fault system) is that the system works out unfairly. People with minor losses tend to be overpaid, while people with severe losses are likely to be underpaid."
. Victims with losses of $25,000 received on the average only 30 percent of that amount.		. Worsnop, <u>Editorial Research Reports</u>, 1/13/71, p. 39
. Studies show that the present system favors the "slightly damaged" over the "severely damaged."	. Have students list reasons why an insurance company would be willing - and anxious - to settle small claims quickly and out of court. . Role play a situation where one student acts the part of a claim adjustor and others act the part of motorists, one with a minor claim for a crumpled fender	. Ibid., p. 39: "A two-year study on automobile insurance, completed in the autumn of 1970 by the Department of Transportation, stated that the average $500 claim was settled for four and one-half times that amount. On the other hand, claimants with losses of

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	and the other with a major claim for extensive and expensive hospitalization, with continuing pain. . Ask an attorney to discuss the "fairness" of the fault system of automobile insurance. In his experience do the insured get a reasonably fair settlement of their claims? When might an attorney suggest that a client settle out of court? When might he recommend that the case go to court? Does he feel that the juries before whom he has tried such cases have, in general, rendered "justice" to claimants with regards to the amount of the damages awarded? If not, what suggestions does he have for improving the situation?	$25,000 received an average of only 30 percent of that amount from insurance. The larger the claim, moreover, the longer the wait; the average delay in settlement on claims of more than $2,500 was 19 months." . "Automobile Insurance ... For Whose Benefit?": "...Since it is to the interest of the insurance company to settle small claims and avoid delays and court costs, the trend is to over-pay small claims and under-pay large claims. One study indicates of accident victims with small economic losses, one third were <u>over</u> paid, while of those with large economic losses, none was overpaid and all were under paid. In other words, the present insurance system <u>overcompensates</u> the <u>slightly injured</u> and <u>undercompensates</u> the <u>seriously injured</u>."
	. Why might an insurance company be unwilling to settle a large claim out of court?	. Worsnop, <u>Editorial Research Reports</u>, p. 39: "Insurance companies are willing to settle small claims quickly because they are not considered worth the trouble to contest in court. The small

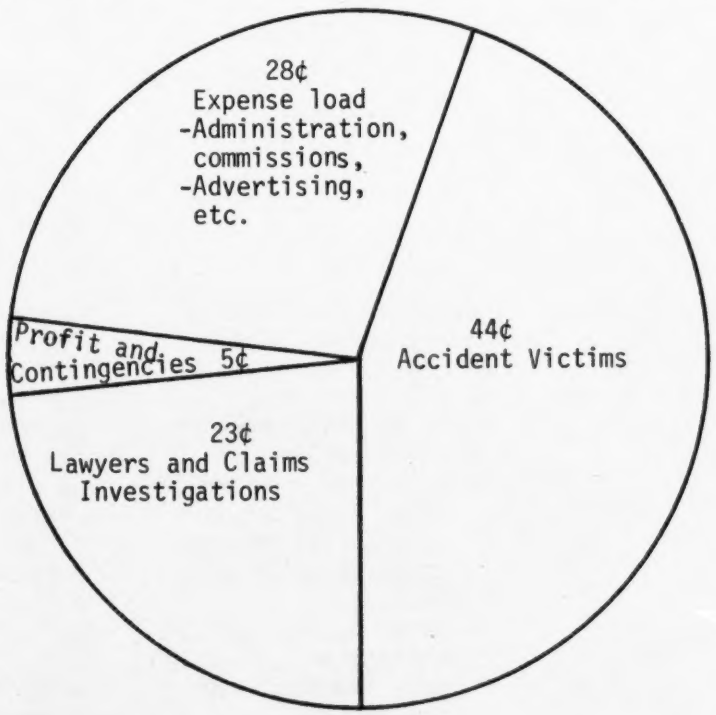
UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	. Role play situations in which there has been serious personal injury, long hospitalization, mounting expenses, and many delays in bringing the case to settlement in a court: - Case A - The family's financial resources are strained. There is no money with which to pay hospital bills. The attorney for the claimant urges the family to hold out longer in the hope that a substantial verdict can be obtained. - Case B - The situation is the same as in case A but the claimant's attorney suggests an out-of-court settlement for a reduced amount. - Case C - The situation is the same as in Case A except that the claimant's family has ample resources to meet the costs incurred as a result of the injury. However, the claimant is tired of the long delay and is willing to settle, while his attorney counsels patience in the hope of a large jury award.	claimant often can collect as well from his medical insurance company. This pattern of generous treatment of those with relatively little injury has led one observer, describing the process of compensating for traffic injuries in New York City, to exclaim, 'From wrecks to riches!' Because a large claim represents a potentially large loss, the insurance company almost always will hold out for settlement in court. The long delay involved in bringing such cases to trial often acts as a powerful inducement to the claimant to accept an out-of-court payment smaller than he wanted."
. The present system favors the rich over the poor.	. Should a victim of an automobile accident be made to suffer financially because he cannot afford to employ the best attorney, take the time off for court appearances, or wait, possibly years, for settlement?	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. Victims earning over $10,000, and in a position to retain counsel, recovered an average of 61 percent of their losses. Victims earning less than $5,000 recovered only 38 percent of their losses.	. Interview a local attorney to learn how he sets his fees for auto accident cases. Does he charge a set fee, or work on contingency basis? Why? . Debate: Lawyers' fees in accident cases are excessive. (Try to be fair to both sides. Remember that the attorney has made a large investment of time and money to prepare for law practice, that even what appears to be a simple case may involve hours or days of preparation, and that if he takes the case on a contingency basis he may be paid nothing for his efforts if the court decision goes against him. On the other hand, the victim is the one who suffered the economic loss; he may have had pain and suffering; his health may be permanently impaired.)	. Lazarus, The New Republic, 4/17/71, p. 22 . "Automobile Insurance ... For Whose Benefit?": "Only about 1 percent of automobile liability claims are decided by a court. The other 99 percent are decided out of court. Usually the latter type of settlement takes place between the person making a claim, or his lawyer, and an insurance adjustor. Most claims are settled on a bargaining basis rather than on the basis of equity. Each of the bargainers tries to get the most out of the other; the claimant wants as much as he can get and the insurance adjustor wants to settle for as little as possible. Thus the ignorant or poor are likely to settle for less than those who know the law and have enough money to hold out for a higher settlement."

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
<u>The Fault System Is Inefficient.</u>		
. The fault system is very expensive to operate.	. Make a chart contrasting the administrative costs of auto insurance with the administrative costs of running - - Social Security - Blue Cross - health and accident insurance.	. Ibid., p. 35: "As consumers, we are deeply concerned with the contrast between an administrative cost of 3¢ in Social Security, 7¢ for Blue Cross, 17¢ for health and accident plans, and 55¢ of the premium dollar for auto insurance, leaving only 45¢ to pay victims' costs. (Included in the 55¢ is 25¢ to pay the legal expenses of an adversary system of awarding insurance claims.)" . Social Security Office, Washington, D.C. . Local Blue Cross office . National Association of Independent Insurers, <u>Let's Look at the Record!</u>, p. 4
. Less than half the premium dollar is returned to the policyholder in the form of claim payments.	. Dramatize the inefficiency and unfairness of the fault system by distributing play money or privileges on an inequitable basis: - give more to blondes than brunettes - more to left-handed than right-handed students - have the teacher (representing the insurance company) keep one-third	. Ibid., p. 4: "(a) serious charge against the present automobile insurance system is that so few of the dollars paid in premiums ever reach the victims of accidents. What happens to each dollar paid in liability insurance premiums? First of all, insurance companies and agents

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	- have two students, representing lawyers and claims adjustors, keep one-fourth	use up 33 cents; then lawyers and claims investigators take the next 23 cents - taking 56 cents out of every premium dollar. Even the remaining 44 cents of the premium dollar are not distributed in terms of economic loss. According to one report, 21.5 cents are paid for 'general damages' or 'pain and suffering,' leaving only 14.5 cents as compensation for the net economic loss of accident victims."

ESTIMATED DISTRIBUTION OF YOUR LIABILITY INSURANCE DOLLAR

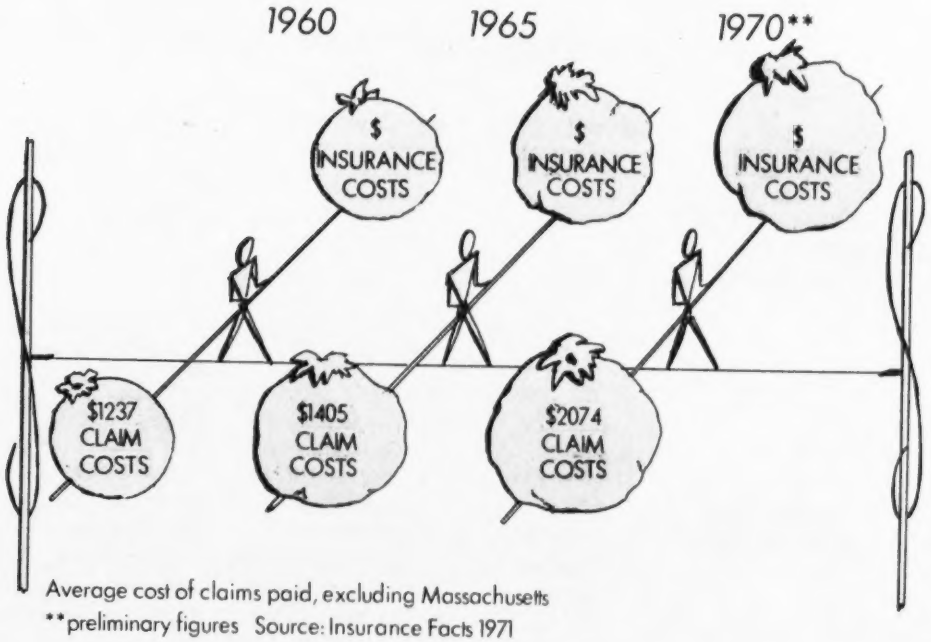


UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	. Invite interested parents to discuss their experiences with automobile insurance costs and claim settlements. . What suggestions and reactions do parents have regarding automobile insurance?	. Parents
<u>The Benefits of the Fault Insurance System Are Unpredictable.</u> . About 25 percent of automobile accident victims receive nothing for their injuries.	. Play a game of "Automobile Insurance Roulette" in which 1 out of every 4 claimants goes uncompensated for loss sustained in an accident. Assume each student will be part of the 25 percent, and each suffers an economic loss of $1,000. Ask students to list the effect of this loss on their lives, in terms of how they will pay for any medical or repair expenses, in addition to continuing to pay for their normal, daily expenses. Have them also examine the possibility of going into debt (taking out a loan) to cover the loss of $1,000.	. "Automobile Insurance ... For Whose Benefit?" p. 18: "One out of every four people suffering bodily injury in an automobile accident in this state receives nothing whatsoever from the fault insurance system." . Ibid., p. 25: "The term 'economic loss,' as used in this report, includes past and future dollar losses resulting from (a) bodily injury, including hospital, surgical and medical expense, loss of income and miscellaneous out-of-pocket expenses; and (b) damage to automobiles and other property."

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	. Set up a hypothetical case in which an insurance claim adjustor and his claim manager are discussing whether to settle a case or delay. The case concerns Mr. Doubtful who claims to have a whiplash neck injury. X-rays do not reveal any damage, yet Mr. Doubtful claims $5,000 for "pain and suffering." The insurance claims department feels that the injuries are not real but recognizes that a jury might rule against the company. They consider these facts: Delay in making a settlement is sometimes to the advantage of the insurance company. In cases of minor injuries, victims may prolong the procedure, and eventually the insurance company will settle in order to close the case. What do they decide to do in the hypothetical case?	. Ibid., p. 24: "Thus, under the fault insurance system, determinations are made either by an overburdened judiciary on stale facts or else by insurance adjustors in a bargaining process. Part lottery and part bazaar, the fault insurance system is unreliable and unpredictable." . Ibid., p. 38: "In general, the highly abstract standard of liability called 'fault' and the indeterminate measure of damages called 'general damages' or 'pain and suffering' offer rich rewards to the claimant who will lie, the attorney who will inflame, the adjustor who will chisel, and the insurance company which will stall or intimidate."
<u>The Fault Insurance System Fosters Dishonesty</u>. . In serious cases, the victim sometimes cannot wait for settlement - and sometimes is financially unable to defend himself against an insurance company. . In other cases the "victim" may fake an injury hoping to coerce the insurance company into settlement or to play on the sympathies of a jury.		
<u>The Fault Insurance System Is Expensive</u>. . Rates for auto liability insurance have almost doubled in the past 20 years. At the present rate of increase, they	. Compare the increase in rates for auto insurance with the increase in costs for - - auto repairs - gasoline	. Ibid. . Marks, Seymour, "Today's 'Tender' Cars Cost More to Insure," <u>Long Island Press</u>, 1/22/70

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
will double again in less than half that time.	- tires - medical care, etc. . Ask the students to locate in their homes an expired insurance policy (or consult an insurance agent for the information), and compare the costs for that policy with the cost for their parents' present policy. Be sure the coverage is the same to make the comparison fair.	. Changing Times, 8/71, p. 47: "Which has risen most (in cost) over the past ten years? Local transit fare rose 77%; cost of auto insurance, 67%; auto repairs and maintenance, 50%; registration, 34%; used car, 30%; gas and oil, 13%; new car, 5%."

CAR ACCIDENTS COST MORE-AND SO DO AUTO INSURANCE PREMIUMS



Average cost of claims paid, excluding Massachusetts
**preliminary figures Source: Insurance Facts 1971

Graph showing why policies are canceled is based on an analysis of complaints received by Attorney General Louis Lefkowitz.

Why Policies Are Cancelled
Termination of Agencies
Insured Lives in High Risk Areas
Too Many Accidents
Drivers Under 25 Years of Age
Too Many Claims (Many times this means a single claim)
No Reasons or "Underwriting Judgement"
0 10 20 30 40 50 60 70 80 90 100
Percentage of Policy Terminations (Cancellations and nonrenewals)

Chart from Newsday, Long Island, 4/1/71

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
WHY HAVE CANCELLATIONS AND NONRENEWALS OF AUTOMOBILE INSURANCE INCREASED?		
. A high percentage of the families with personal injury accidents have had their insurance canceled or renewal refused.	. Investigate the validity of the information on policy cancellation shown in the source column on the right. A representative of the Insurance Information Institute states that "this does not agree with our findings." Write the Institute, 110 William Street, New York, N.Y. 10038, for copies of: - North Carolina - Public Attitude Toward Auto Insurance - 1971	. "Public Attitudes Toward Auto Insurance," Department of Transportation Auto Insurance and Compensation Study, p. 33: "Fourteen percent of car-owning families report that they have had their insurance canceled or have been refused renewal in the past. Nearly twice as many people with personal injury

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	- Ohio - Public Attitudes Toward Auto Insurance - 1971 - Washington - Public Attitudes Toward Auto Insurance - 1971 - Florida - Public Attitudes Toward Auto Insurance - 1971 - National Public Appraisal of Automobile Insurance - 1971	accidents (23 percent) in the last two years as those without accidents reported having been canceled or denied renewal of a policy some time in the past."
	. What conclusions do you draw from this evidence?	
. Some of these drivers continued to drive despite the fact that their insurance had been canceled.	. Do you know of any drivers who have continued to drive after their insurance was canceled? What hazards does the practice present to such drivers? to those who might suffer injury or loss as a result of accidents involving such uninsured drivers?	
. Those unable to secure insurance through normal channels may be able to secure it in the assigned risk pool. Such insurance is more costly.	. Have students check various sources for a definition of "assigned risk" and how it works, or ask a local automobile insurance agent to describe the plan and quote examples of rates charged.	. "Let's Look at the Record!" p. 18: "Assigned Risk Plan, a means of insuring drivers who cannot obtain coverage on the voluntary market."
	. Do any of the students or their parents belong to the assigned risk pool? Why? What has been their experience with this plan?	. McNaughton, Donald J., & Riley, Robert K.: "A Review of the Automobile Insurance Assigned Risk Plan in New York State," printed by State of New York Department of Motor Vehicles

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
WHAT HAS BEEN THE EFFECT OF SPIRALING AUTOMOBILE INSURANCE COSTS?		
. Increasing insurance costs and assignment to the assigned risk pool have posed a burden on drivers.	. Discuss: "Some people - especially those with low incomes - simply cannot afford insurance today."	
. Automobile Insurance Plans (formerly known as Assigned Risk Plans) have been established in every state to distribute among all companies, in proportion to the number of automobiles insured, the burden of providing insurance for the high-risk automobile owners who are unable to obtain insurance through normal channels.	. Consider the following information from Government Employees Insurance Company Annual Report 1971: "The assigned risk component of our automobile volume for 1971 represented 8.7% of our total written premium, the highest in our history. The combined loss and expense ratio of 125.9%, a fractional increase over the 125.3% ratio in the prior year, coupled with the staggering increase in volume, produced a record assigned risk loss of $8,040,529. The underwriting results since 1962 for our assigned risk business are shown below:	. "Automobile Insurance ... For Whose Benefit?" p. 42: "The soaring costs of liability insurance are making automobile ownership impossible for many poor Americans. If they cannot own automobiles, they cannot emerge from the congested cities where public transportation is available and cannot hold jobs at outlying factories. The present system of reparation produces two kinds of victims - those who are inadequately compensated for their injuries and those who are charged the high premiums required by a wasteful system."

ASSIGNED RISK LOSS EXPERIENCE

	% of Total Written Premium	Combined Loss and Expense Ratio	Underwriting Loss
1962	3.8%	133.0%	$1,061,098
1963	3.6%	135.2%	$1,096,563
1964	3.9%	132.2%	$1,282,376
1965	4.9%	142.2%	$1,896,318
1966	4.5%	141.6%	$2,442,836
1967	4.5%	139.7%	$3,065,792
1968	4.2%	137.1%	$3,006,101
1969	4.6%	128.8%	$2,875,666
1970	7.3%	125.3%	$4,054,507
1971	8.7%	125.9%	$8,040,529

"The tremendous upsurge in our assigned risk volume

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	in 1971 represents an industry-wide trend having essentially social derivations." Who bears the cost of this $8 million dollar loss? What are the social effects of such a policy? What are the economic effects?	
. It is claimed that over one-half of those forced to secure insurance in the assigned risk pool had no previous accident or conviction.	. Make a school or community survey of those forced to secure insurance in the assigned risk pool. Do the findings bear out the contention that "over one-half had no previous accident or conviction"?	. "Insurance: The Road to Reform," Consumer Reports, 4/71, p. 225
WHAT ARE SOME OF THE CRITERIA FOR EFFECTIVE AUTO INSURANCE REFORM?		
Automobile Insurance Should Pay Benefits to All Auto Accident Victims.	. The criteria listed in the Understandings column have been recommended by some insurance experts. Each should be discussed by the class. How many of the criteria are acceptable? Which ones are not? What other criteria, if any, should be added?	
	. If the criteria are not acceptable, ask the students to draw up their own standards of what they think should be required for a good insurance program.	. "Automobile Insurance ... For Whose Benefit?"

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	. List some of the ways in which the uncompensated victim of an accident may become a burden to society.	
<u>All Economic Losses Should Be Covered</u>.	. Ask the class to check a glossary for the definition of "economic loss." In light of what they have learned, how might they add to this definition?	. Ibid., p. 25
. Payment should be prompt.	. Have a buzz session to discuss: "Justice delayed is justice denied."	. Marks, "'No Fault' Insurance, A Boon for Drivers?" <u>Long Island Press</u>, 1/21/71: "This war of attrition by the insurance companies against the claimants goes on year after year. The longer the court delays - up to 4½ years in Long Island Supreme Courts - the greater the advantage to the company. "A vast majority of substantial claims are settled without trial, long after court action has begun, because of economic compulsion."
	. Relate prompt payment to the daily lives of the students. Ask how many have part-time jobs. Would a boy delivering papers be willing to wait 3, 4, or 5 weeks for payment?	. "Automobile Insurance ... For Whose Benefit?" p. 68: "From the point of view of the victim, any system that begins to deliver benefits quickly can reduce human suffering, hardship and permanent disability. "Society at large also has an interest in the prompt payment of
	. How many have purchased items (perhaps a baseball mitt), returned the items for credit, and been given a credit	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	slip only? Do they feel it fair not to be paid promptly in cash?	accident victims. While he bargains with an adjustor or waits for a court, the victim with medical bills and without earnings has to get the money somewhere. The longer his payment is held up, the more his accident cost is likely to become a personal tragedy for him and his family, and the more likely it is that the burden will be pushed onto others - such as relatives, friends, charities and, ultimately, tax-payers - who thereby become the second-level victims of the accident."
<u>Automobile Insurance Should Be Efficient.</u>		
. A larger share of the premium dollar should be returned to the insured.		. Ibid., p. 64: "To the consumer, increased efficiency means lower premiums."
<u>Premiums Should Be Low</u>.		
. All drivers, especially those of low income, should be able to provide adequate insurance for themselves and their families without a financial hardship.	. Would a federally-sponsored program, available in conjunction with a national health plan, be the answer? (Everyone would be covered for at least a minimum amount.) Do Federal programs <u>really</u> provide inexpensive services - or is the burden just	. "A Look at National Health Insurance," <u>Everybody's Money</u>, Credit Union National Association, Box 431, Madison, Wisconsin, Summer 1971, p. 26

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	shifted from the recipient to the taxpayers at large?	
	. Group health and life insurance has worked because administrative and selling costs are reduced, and the saving is passed on to the insured in premiums lower than those paid on an individual basis. Debate: Group auto insurance would be less costly and more efficient than insurance purchased individually. It should be available to all car owners.	. Margolius, "Auto Insurance: The Need for Reform"
<u>Provision Should Be Made for Periodic Payments to Victims</u>.		
. Periodic payments would be part of a rehabilitation program, both of which might continue for years. Periodic payments also lead to more precise awards.	. Discuss the desirability of periodic rather than lump-sum payments to victims requiring a rehabilitation program. Not all people can handle money to their own best interests. For some, a lump sum might mean a "spending spree." Rehabilitation would be deterred as a result, and thereafter the victim might become a burden to society.	. "Automobile Insurance ... For Whose Benefit?" p. 69
	. Dramatize a situation in which a 21-year-old secretary is rewarded with a $25,000 settlement after an auto accident. In the skit, use fake money, paid to her by the insurance broker. Show her going from	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	shop to shop, dissipating the whole sum. In another skit, show other ways in which she might use the money as a savings fund, investment, etc.	
Automobile Insurance Should Be Reliable.		
. The victim should know what benefits he will receive and not be kept in the dark.	. Have students make individual lists showing what responsibilities the head of a house would be concerned about if he were an auto accident victim. How would knowing in advance of his exact benefits help ease his mind?	. Ibid., p. 70
Automobile Insurance Should Be Operated By Private Enterprise - At A Fair Profit.		
. (For a contrary opinion, see the action of Manitoba as related in the Source column.)	. Have students conduct a poll about the desirability of having a federally-operated insurance system - if the automobile insurance industry does not soon rectify the faults of our present system. Have a committee of students interview various high school social studies teachers or others for their reactions. . Is it solely the responsibility of the insurance industry to make changes or does part of the	. Everybody's Money, Summer 1971, p. 25: "In Canada, compulsory no-fault insurance will go into effect in Manitoba next November. The new system, the Manitoba Public Insurance Corp., eliminates insurance agents, profits and advertisements. The result will be lower premiums. Automobile owners and drivers will be automatically covered when they register their vehicles each year."

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
	responsibility fall upon the regulatory agencies and State Legislature to make changes? If the latter bodies are also involved, how can citizens most effectively express their desires for change?	
WHAT IS NO FAULT INSURANCE?		
. No fault is auto insurance in which there is no necessity to prove anyone's fault or negligence.	. Have pupils relate examples of life experiences analagous to no fault automobile insurance. If their house burns down, does the fire insurance policy call for payment regardless of fault? Does health insurance pay regardless of fault? Does theft insurance pay regardless of fault? Do their parents feed and clothe them regardless of fault?	. Editorial Research Reports, p. 29: "Proponents of reform of automobile liability insurance generally advocate a system in which there is no necessity to prove fault or negligence. Automobile liability coverage thus would come to resemble theft or fire insurance - the policyholder would apply for compensation to his own company for any losses he suffered."
. The types of no fault insurance plans - either now in existence or proposed - may be placed into three categories: - total - substantial - limited		
. Total no fault, the purest form of the many no fault proposals, pays all economic losses to all insured parties to an accident without regard to fault. There are no limits to the total amount of benefits. There are no lawsuits.	. Have students list the criteria for a "good" insurance system (from their point of view) and compare these criteria against our present fault system and the proposed no fault system.	. "Automobile Insurance ... For Whose Benefit?" p. 79
. You would collect no matter who was at fault.	. Have students create the circumstances and list the consequences of an accident - - where the party at fault receives no compensation	

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. After an accident, you would apply directly to your own insurance company and be paid for medical expenses and wage losses, up to prescribed amounts.	- where the party at fault is compensated as well as the party not at fault - where both parties were partially at fault and neither was compensated (or both were compensated) Have students use model cars to demonstrate accidents to illustrate these cases.	
. Under the total no fault plan no compensation would be paid for "pain and suffering." . Substantial no fault plans are like total no fault plans except that the right to sue is retained where economic loss is large. . Limited no fault is like substantial no fault except in degree. Settlement without suit is restricted to even smaller claims and most aspects of the present tort system are retained. . Most no fault proposals are not total programs, but rather establish limits beneath which benefits are paid automatically. Beyond those set limits, suits for damages or pain and suffering are permitted.	. Debate: A monetary value cannot be placed on "pain and suffering." . Ask the class to place a monetary value on "pain and suffering" in the following situations: - a bloody nose results from a car accident - an accident in which the car is demolished, but no one is hurt - the driver fully recovers physically after an accident, but is fearful when driving - the driver complains of persistent back pain as a result of an accident but is able to carry on normal activities - the driver is hospitalized for 3 months, and, according to medical testimony, appears to be in constant pain.	. "Report of American Insurance Association's Special Committee to Study and Evaluate Keeton-O'Connell Basic Protection Plan and Automobile Accident Reparations," The American Insurance Association, 85 John Street, New York, N.Y. 10038, 9/9/68: "Pain and suffering are not susceptible of objective measurement and should not be included in a reparations system." . "Ahead: A New System of Auto Insurance?" U.S. News and World Report, 4/28/69 . "Insurance: The Road to Reform," Consumer Reports, p. 223 . Worsnop, "Auto Insurance Reform," Editorial Research Reports, p. 43

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. Some plans which have been proposed may be classified as <u>total</u> no fault plans, such as the New York State Insurance Department plan.		. <u>Everybody's Money</u>, Summer 1971, p. 25
. It has been estimated that compulsory auto premiums would be reduced by 56 percent if <u>total</u> no fault were introduced in New York State.		. "No-Fault Auto Insurance," printed by The Travelers Insurance Company: "The dollar amount of benefits for medical expenses and lost wages and the extent of the limitation on pain and suffering recoveries vary from plan to plan."
WHAT IS THE HISTORY OF NO FAULT INSURANCE?		
. In 1932,a committee at Columbia University proposed the "Columbia Plan." - This plan provided a schedule of benefits similar to our present Workmen's Compensation.	. Compare the benefits of workmen's compensation with the no fault proposal for automobile insurance.	. <u>Educational Research Reports</u>, 1/13/71, p. 40
. The Columbia Plan also provided that this type of auto insurance would be compulsory.	. Poll community members about their stand on no fault insurance. Do their opinions agree with those of the Gallup poll in which 4 out of 5 citizens who knew what no fault insurance is favored the plan?	. Fisk & Snapp, <u>Applied Business Law</u>, p. 353: "Workmens' compensation laws in effect, abolished the common-law defenses of the employer by providing a system of compensation for workmen injured in the course of employment regardless of fault. "They also provide benefits for the family in case of the worker's death. Under workmen's compensation the question of employee negligence or fault has been replaced by two fairly simple tests: (1) Did it arise out of and occur during the course of employment; and (2) what is the extent of the employee's injury?
. Saskatchewan, Canada, has a no fault automobile insurance plan which has been reported as successful since its inception in 1946.	. Write the AFL/CIO, the United Auto Workers, the editor of your local paper, and others to get their stand on no fault insurance.	
. Puerto Rico has a no fault, Government-run plan.		

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. Massachusetts has recently adopted a limited form of no fault - the first state in the Nation to do so.	. Instruct the class to bring newspaper articles to class on how the Massachusetts plan and other no fault plans are working. What do proponents say? What do opponents say?	(frequently a medical question) In other words, if the worker is injured while on the job, he will be paid in accordance with the extent of his injuries, except in the case of intentional injuries and intoxication." . "Law Memo 573," from the American Insurance Association, 85 John Street, New York, N.Y. 10038
WHY IS IT IMPORTANT THAT STUDENTS UNDERSTAND AND TAKE A POSITION ON NO FAULT INSURANCE?		
. There appears to be unanimous opinion that the present automobile insurance system needs reform.	. Instruct students to add to their scrapbooks material concerning new development or proposals for no fault insurance. Check local papers for items.	. Massachusetts, which became the first state to enact no fault auto insurance, has already reduced bodily injury insurance costs by 15 percent and "everything indicates that further reductions are definitely in order for 1972," says John G. Ryan, the state's insurance commissioner. In its first 6 months, no fault resulted in both fewer claims (5,032, down from 11,393) and smaller claims (averaging $160, down from $343).

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
. The shape that reform will take will be largely influenced by public reactions. . Governor Rockefeller has promised to make no fault insurance a priority matter in the next session of the Legislature. . President Nixon and congressional leaders are pressing for automobile insurance reform on the national scene.	. The class may find it interesting to follow the 2-year running controversy in the New York State Legislature over the no fault proposal. The newspapers of this period carried many reports and opinions on this topic. Among them are these: - "No Fault Skirmishes End and Real Battle is Set," New York Sunday News, 4/23/72 - "New No Fault State" Albany Times Union, 4/23/72 - "Squeeze Play at Albany," New York Daily News, 3/20/72 - "2d No Fault Bill Is Killed," New York Daily News, 5/12/72 . Have the class read reports of the controversy and give their findings and opinions to the class. . Organize the class into two debating teams - one for and one against no fault, and debate this problem. Invite a lawyer to judge the debate. . Examine the "Statutory No Fault Benefits" chart on page 64 and the Insurance Information Institute explanation on pages 60-63 for an explanation of basic plans. Which plan seems best? Why?	. "Automobile Insurance ... For Whose Benefit?" p. 85: "The compulsory, minimum automobile insurance should, in general, provide full compensation for the net economic loss of accident victims." . "Ahead: A New System of Auto Insurance?" U.S. News & World Report . "Automobile Insurance ... For Whose Benefit?" p. 110: "Taking compulsory personal injury coverage and compulsory property damage coverage together, the average premium under our proposal should be about 56% less than it is under the fault insurance system." . "Insurance: A Timid Step Toward Reform," Time, 3/29/71, p. 82 . Wise, Paul S., President, American Mutual Insurance Alliance, "The Case For/Against No Fault Auto Insurance," Popular Science, 1/71, p. 57 . "The Fault With No Fault," statement of Allstate Insurance Company, before the New York State Joint Legislative Committee on Insurance Rates and Regulation, 5/21/70, Rochester, N.Y.

WHAT ARE THE OBJECTIONS TO NO FAULT INSURANCE?
(Background Information)

A number of powerful groups are united in opposition to no fault insurance. Pupils should understand the basis of these objections before making up their minds on the issue. Some of the opponents' views are quoted below and references are made to others.

- Committee on Automobile Accident Reparation, Albany County Bar Association:
  "No-Fault Insurance is not merely a proposal for dealing with a difficult problem. It is a new philosophy for governing man. It eliminates a person's responsibility for his own acts and limits an injured party's right to recompense. It limits the right of a party to a trial by jury as set forth in the Seventh Amendment of the United States Constitution. No-Fault Insurance concentrates on the reduction of the premium of compulsory automobile insurance and on rapid payment for net economic loss, but it does nothing to cut down automobile accidents. It does not reward the safe driver. It does not deal at all with reduction of the cost of repairing damaged automobiles or repairing injured bodies. It deals in cheap premium (at least for the first year or so) and quick payment of out-of-pocket expenses. Whether the people of the State of New York are ready to abandon a philosophy of Government which holds that a person should be responsible for his acts, for a system of Government that compensates the innocent and guilty alike; whether they wish to abandon the Judeo-Christian ethic for the sake of some certain, swift payment; whether they want to sacrifice justice to expediency is something that they should not have to decide without being fully informed."

- Marvin E. Lewis, president of the American Trial Lawyers Association, was quoted in the Albany Times Union, 9/20/71, as follows:
  "No-fault insurance is a confusing, misleading and popularly-promoted label for more than 100 different proposals and plans. The no-fault label has the inherent capacity to deceive the public."
  "Being against no-fault auto insurance is like being against motherhood." "The public has been sold a bill of goods."
  "No-fault would close the doors of justice to the citizen and deprive him of his fundamental right to recover from human losses such as pain and suffering, and reward the guilty at the expense of the innocent."

- Seymour L. Colin, president of the New York State Trial Lawyers Association, quoted in the New York Times, 9/3/71, said he was:
  "not in favor of any no-fault legislation, proposed or passed, except such legislation as does not deprive people of their right to recover fair compensation through suit or arbitration."
  "Whatever changes are made in the insurance system, it should be clearly understood that this country will go on paying too high a price for auto insurance until something is done about the excessive cost of auto crashes."

* * *

. For further reading see:

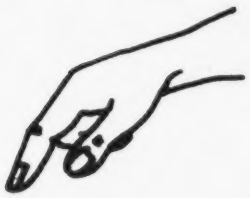
— "Eye-for-Eye Insurance Plan Opposed"
Knickerbocker News, 3/17/72

— "Stop, Look, and Listen"
Barron's Weekly, 1/17/72

— Statement by Alfred J. Bohlinger
On behalf of the National Association of Independent Insurers before the joint legislative committee on insurance rates, regulation, and recodification of the insurance law, Albany, N.Y., 3/1/72

* * *

On one hand



And on the other

Critics say:

- A no fault system will encourage reckless and careless driving because these drivers will not be held financially accountable.

- It's unfair to eliminate the right to sue for pain and suffering.

- No fault objectives could be reached by increasing medical payments coverage and broadening it to loss of income.

- Under the present system, liability premium rates are geared to a driver's accident potential. Young, single men, for instance, pay relatively high rates because they are involved in proportionately more accidents. In a no fault system, the burden of higher rates would be shifted to drivers with large families because their claims are likely to be larger than those of other drivers.

Proponents say:

- Reckless drivers should be punished through the traffic laws, not the insurance system.

- Pain and suffering cannot be measured objectively. Including it as a compensable cost invites exaggerated claims. To some extent pain and suffering would be covered by payments for dismemberment, disfigurement, and loss of income.

- Increasing benefits would raise insurance buyers' premiums without getting at the root of the cost problem - the fault liability system.

- That may not turn out to be true. Under the new system, companies may discover that people with large families are entitled to low rates because they drive more cautiously with children in the car, or tend to stay home and use their cars less. And the big family will get more protection for its money because its injuries will always be covered.

- Both opponent and proponent views are quoted from "The Row Over 'No Fault' Auto Insurance," Changing Times, 5/69.

EXISTING AND PROPOSED AUTO INSURANCE SYSTEMS

Insurance Information Institute,

PLAN	STATUS	KIND OF SYSTEM	BENEFITS UNDER BASIC PLAN	
			Medical, Funeral	Other Economic Losses
Tort Liability System	Existing system in most states.	Third-party fault system (personal injury and property damage), with added first-party no-fault coverages.	No statutory limits.*	No statutory limits.*
Basic Protection Plan	Proposed by Professors Robert E. Keeton and Jeffrey O'Connell	First-party no-fault (personal injury and property damage). Tort liability above plan benefits.	Up to $10,000 (including other economic loss).	Up to $10,000 (including medical, etc.).
Uniform Motor Vehicle Insurance Act	Introduced in U.S. Senate Sept. 14, 1970, by Sen. Philip A. Hart (D-Mich.). Amended July, 1971.	First-party no-fault (personal injury and damage to property other than cars in use). Compulsory.	Unlimited as to reasonable and necessary medical, hospital and rehabilitation costs and incidental expenses.	Up to $1,000 monthly, for loss of earnings after income taxes or for surviving dependents of wage earners. Extra expense for personal services.
Complete Personal Protection Plan	Proposed by American Insurance Association.	First-party no-fault system (personal injury and property damage). Compulsory system. (Auto physical damage optional).	Medical unlimited. Funeral, $1,000.	Unlimited, except wage loss limited to $750 per month.
Guaranteed Protection Plan	Proposed by American Mutual Insurance Alliance	Insurance portion blends liability and no-fault coverages (personal injury; full third-party liability for property damage); requires arbitration of claims under $3,000.	Mandatory $50,000 minimum for first-party medical. Higher limits optional. Tort action retained for full medical expenses.	Mandatory $6,000 minimum for income loss. Up to $12 a day for non-wage earners. Both retain right to tort action for full economic losses.
Dual Protection Plan	Proposed by National Association of Independent Insurers.	Limited first-party no-fault (personal injury). Preserves right to tort action for damages in excess of policy limits. Provides for subrogation and arbitration in immediate pay cases involving at-fault third-party.	Up to $2,000 per person for medical, hospital and funeral expenses. Excess limits coverage available as option.	Up to $6,000 for wage loss, up to $4,380 for services otherwise performed by an injured non-wage earner. Excess limits coverage available as option.
Massachusetts "Compulsory Personal Injury Protection" Law	In effect since Jan. 1, 1971.	Limited first-party no-fault (personal injury—property damage optional). Optional deductibles of $250, $500, $1,000 or $2,000 on no-fault benefits. Compulsory program.	Up to $2,000 medical and hospital expenses.	Up to 75% loss of wages and salary.
New York State Insurance Plan	Not passed in 1971. Probable reintroduction next session.	Combines elements of first-party no-fault (personal injury and damage to non-automotive property) and strict liability. Compulsory system.	No statutory limits. Medical-hospital and rehabilitation not compensated from other sources.	Unlimited net income loss compensation.

Pain and Suffering	How Payable	Maximum Payment	REMARKS
No statutory limits.*	Lump sum, except for voluntary advance payments by insurers.	No statutory limits (except death benefits limited in some states).*	Insurance is primary.
None. Policyholder may sue for claims over $5,000.	Monthly as accrued.	$10,000 per person, $100,000 per accident.	No-fault benefits are excess over benefits from other sources. Primary coverage optional. Tort exemption applies to first $5,000 of pain and suffering, $10,000 of other damage.
Optional coverage.	As accrued. Benefits unpaid 30 days after proof of loss bear interest at 2% a month.	Unlimited.	No-fault benefits subject to reduction by amounts of benefits from other insurance plans whose benefits are primary. Provides immunity from tort liability except for drivers involved in criminal conduct.
None.	As accrued.	Unlimited.	Insurance is primary. Avoidance of duplication of benefits recommended. Provides immunity from tort liability.
Barred unless hospital and medical expenses exceed $1,000, or in cases of serious disfigurement, dismemberment or permanent loss of a bodily function.	As accrued for first-party benefits. Lump sum for liability benefits, subject to deduction of voluntary advance payments by insurers.	No statutory limits, except death benefits limited in some states, and as indicated for pain and suffering. First-party benefits deducted from third-party settlement.	Insurance is primary, subject to reduction by amount of workmen's compensation benefits. Lawsuits permitted when medical or wage losses exceed plans' limits or as described under "Pain and Suffering."
For minor injuries, up to 50% of medical and hospital expenses to $500, up to 100% if over $500. Right to sue in serious injury, death, or exceptional cases.	As accrued, subject to two-week waiting period for lost wages and reimbursement for services otherwise performed by an injured non-wage earner.	Subject to policy limits.	
Barred unless hospital and medical expenses exceed $500, or in cases of death, dismemberment, loss of sight or hearing, serious disfigurement or fracture.	As accrued.	Subject to policy limits.	Insurance is primary. No bar to recovery from collateral sources. Except as indicated under "Pain and Suffering," insured is exempt from lawsuit to extent of no-fault benefits.
None.	As accrued.	Unlimited.	No-fault benefits are excess over benefits from other sources of indemnification. Retains tort action in death cases.

EXISTING AND PROPOSED AUTO INSURANCE SYSTEMS CONT'D

Florida "Personal Injury Protection" Law	Effective Jan. 1, 1972	Limited first-party no-fault (personal injury). Optional deductibles on no-fault benefits. Bars tort liability on property damage under $550 to cars. Insurance or other proof of security required for private passenger cars. Provides for subrogation.	Up to $5,000 medical and related expenses, $1,000 funeral expenses.	100% wage loss and loss of earning capacity, if taxable 85% if not taxable; extra expense for personal services.
Illinois Statute	Effective Jan. 1, 1972	Limited first-party no-fault (personal injury) for private passenger cars. Provides for subrogation and for arbitration of claims of $3,000 or less involving at-fault third-party. Preserves right to tort action.	Up to $2,000 per person for medical, hospital and funeral expenses. Excess limits coverage available as option.	Up to 85% of loss of income; up to $12 a day for services ordinarily performed by an injured non-wage earner. Excess limits coverage available as option.
Delaware Statute	Effective Jan. 1, 1972	Combination of first-party no-fault and third-party liability (personal injury, property damage). Compulsory program with additional coverages optional. Provides for subrogation.	On first-party no-fault basis, up to $10,000 per person, $20,000 aggregate for medical expenses, wage loss, extra expense for personal services, up to $2,000 funeral expenses. $5,000 damage to non-automotive property; coverage of auto optional. Deductibles available.	
Oregon Statute	Effective Jan. 1, 1972	Limited first-party payments (personal injury) without regard to fault. Coverage mandatory in liability policies covering private passenger vehicles.	Up to $3,000 medical and hospital expenses. $250 deductible optional.	After 14 days, up to 70% loss of income or up to $12 a day for expenses for essential services the injured person would have performed without income.
South Dakota Statute	Effective Jan. 1, 1972	First-party no-fault (personal injury) as optional supplement to automobile liability insurance.	Up to $2,000 medical expenses.	Minimum of $10,000 death benefits if death within 90 days. Up to $60 weekly for 52 weeks for loss of income, less 50% if injured person unemployed.
Puerto Rico "Social Protection Plan"	In effect.	Compulsory first-party no-fault system (personal injury). Government-administered. Tort liability above plan benefits.	Unlimited services in Gov't. hospitals. Funeral, $500.	50% of salary up to $50 a week first year, $25 a week second year. Dismemberment, $5,000. Death, $5,000.
Saskatchewan, Canada, Statute	In effect since 1946	First-party no-fault and minimum $35,000 liability (personal injury and property damage) compulsory. $200 deductible first-party property damage compulsory.	Up to $2,000 medical expenses. Funeral, $300 maximum.	Scheduled death and survivors' benefits up to $10,000. Up to $25 a week disability benefits after 7 days, subject to reduction by amount of collateral benefits. Up to $4,000 for dismemberment.
	AUTO INSURANCE SYSTEMS OF ALL OTHER CANADIAN PROVINCES combine first-party no-fault and personal inju (effective Nov. 1, 1971) and Alberta (effective Apr. 1, 1972). Programs are voluntary in other provinces except liability insurance is except in Manitoba where $200 deductible is compulsory. Ontario program is effective Jan. 1, 1972.			

* Recovery through insurance subject to policy limits

Barred unless medical and related expenses exceed $1,000, or in cases of certain fractures, permanent disfigurement or injury, or death.	As accrued. Benefits unpaid within 30 days of notice bear interest of 10%.	Subject to policy limits, except for "reasonable" extra expenses for personal services.	Insurance is primary, subject to reduction by amount of workmen's compensation benefits. Right to sue preserved, except insured is exempt from tort liability to the extent of certain no-fault benefits.
Preserves right to sue. Except in death or permanent injury cases, recovery limited to 50% of medical and hospital expenses to $500, 100% of medical and hospital expenses over $500.	Promptly on proof of loss.	Subject to policy limits.	Benefits payable regardless of collateral sources, subject to reduction by amounts of workmen's compensation payments. Inclusion of first-party no-fault coverages required in non-fleet private passenger policies.
Retains right to sue.	Not specified.	Subject to policy limits.	Law requires liability insurance of at least $25,000 or minimum limits of Financial Responsibility Law, whichever is greater. Right to sue. Insurance primary.
Does not bar right to sue.	Promptly after proof of loss submitted.	Subject to policy limits.	Except for new no-fault coverages, retains present system. No bar to lawsuits. No-fault benefits primary for insured, but may be reduced by recoveries from collateral sources. Payments to guest passengers may be excess over other benefits.
Preserves right to sue.	Not specified.	Subject to policy limits.	Law does not affect automobile physical damage policies. No bar to lawsuits. Insurance is primary, but no bar to recovery of benefits from collateral sources.
None. Policyholder may sue for claims over $1,000.	Weekly payments.	Limited to total of plan benefits. Policyholder may sue for economic loss over $2,000.	Lawsuits permitted when losses exceed $1,000 for pain and suffering and $2,000 for other damages. Benefits deductible from other insurance.
None under plan limits. Right to sue.	As accrued.	First-party benefits limited to schedules. No statutory limit for third-party claims.	No-fault benefits are primary, but dual recovery not permitted. Plans retain right to sue above first-party no-fault limits. Manitoba and Saskatchewan plans are government monopolies for basic limits; government and private insurers compete for excess. Private insurance in other provinces.

ry and property damage liability—compulsory in British Columbia, Manitoba compulsory in Nova Scotia. First-party property damage coverage is optional

The Statutory No-Fault Benefits

THE STATUTORY NO-FAULT COVERAGES	IN THESE STATES					
	Florida	Illinois	Delaware	Oregon	Massachusetts	Minnesota and South Dakota*
These Coverages are often referred to collectively as "Personal Injury Protection" or "PIP"						
Medical Services — Pays for all reasonable expenses for medical, hospital, surgical, dental, and funeral services incurred.	Total recovery for medical services and loss of income or personal services limited to $5000 per person subject to the sublimits shown below. Funeral expenses limited to $1000 per person.	$2000 per person.**	Total recovery for medical services and loss of income or personal services limited to $10,000 per person, $20,000 per accident, subject to the sublimits shown below. Funeral expenses limited to $2000 per person.	$3000 per person.	Total recovery for medical services and loss of income or personal services limited to $2000 per person, subject to the sublimits shown below.	$2000 per person.
Wage Earner's Loss of Income — Pays for actual loss of income due to a continuous total disability.	Included, but limited to 100% of loss of gross income subject to Fed. Income Tax and 85% of all other lost income.	85% of lost income up to $150 per week for 52 weeks.**	Included.	70% of lost wages up to $500 per month for 52 weeks.	Included but limited to 75% of income lost less any other wage continuation benefits.	Up to $60 per week for 52 weeks for the named insured only.
Loss of Non-Wage Earner's Personal Services — Pays for expenses incurred for essential personal services that would have been performed by the injured person, had it not been for the injuries.	Included.	Up to $12 per day for 365 days.**	Included.	Up to $12 per day for 52 weeks.	Included.	Up to $30 per week for 26 weeks (52 in S.D.) for the named insured only (if not gainfully employed).
Accidental Death — Pays a lump sum upon death due to injuries sustained in a traffic accident.	No provision in this law.	No provision. (If excess coverage purchased, "survivor benefits" provided.)	No provision.	No provision.	No provision.	$10,000 for the named insured only.
Damage to Insured's Auto — Pays for loss of or damage to insured's auto due to collision or upset. Also provides limited rental reimbursement.	Insured's options: 1. No coverage, 2. coverage only if other party at fault, 3. coverage regardless of fault. (2 and 3 include limited rental reimbursement.)	No provision in this law.	Insured's options: 1. No coverage, 2. the traditional collision coverage. Rental reimbursement optional.	No provision in this law.	Insured's options: 1. No coverage, 2. coverage only if other party at fault, 3. coverage regardless of fault. (Rental reimb. optional under 2 and 3.)	No provision in this law.
Damage to Property other than a Motor Vehicle — Pays for property damaged in accident involving insured's motor vehicle.	No provision in this law.	No provision in this law.	$5000 per accident.	No provision in this law.	No provision in this law.	No provision in this law.
*Laws not identical, but general coverage provisions similar enough to combine for comparison. **Excess coverage available for an additional $50,000 per person, $100,000 per accident.						
EFFECT ON TORT LIABILITY SUITS						
Can suits be filed for damages to:						
a. A motor vehicle?	Only if damage is over $550, or other party not subject to Florida law.	Yes	Yes	Yes	Only against out-of-State motorists.	Yes
b. Property other than a motor vehicle?	Yes	Yes	Yes	Yes	Yes	Yes
Can suits be filed for pain and suffering?	Only if medical expenses exceed $1000 or permanent or serious injuries are sustained.	Yes, but limited to 50% of first $500 medical expenses and 100% of medical expenses above $500 (limit does not apply if permanent or serious injuries sustained).	Yes	Yes	Only if medical expenses exceed $500, or if permanent or serious injuries are sustained.	Yes
Are bodily injury and property damage liability and uninsured motorists coverages still needed?	Yes	Yes	Yes	Yes	Yes	Yes

This chart was prepared from the latest information available at press-time. It is intended only to show the information we feel you most want to know (i.e., how much you can generally collect from USAA and what restrictions may have been placed on your tort rights to sue a negligent third party — or be sued yourself) and thus should not be considered as being fully descriptive of all features (such as, but not limited to, deductibles available, waiting periods, policy exclusions or conditions) of any of the No-Fault plans.

National Association of Independent Insurers
30 West Monroe Street, Chicago, Illinois 60603

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
IS NO FAULT AN ANSWER TO AUTOMOBILE INSURANCE REFORM?		
. Proponents claim that no fault insurance would solve many of the problems now facing both the industry and the consumer.	. Set the class up as a State Legislature. One student will act as the Governor; one group will be proponents of the no fault system, the other, opponents. Have them argue the case and decide whether to pass or reject an insurance system similar to the New York Plan.	. "This Is No Fault," Fireman's Fund American Insurance Companies, San Francisco, California
. Some no fault plans, however, still leave unresolved problems which must be faced before consumers will be totally satisfied.	. Would total, substantial, or limited no fault be satisfactory to students, as policyholders of the future?	. Stewart, Richard E., "The Faults of Fault Insurance," Washington Monthly Company
	. What proposals would they make to improve any of these plans?	
. Objections to no fault have also been raised.	. Have each student list necessary points to be included to make any plan satisfactory for him.	
WHAT HAPPENED TO NO FAULT LEGISLATION IN THE 1972 SESSION?		
. Although Governor Rockefeller had considered no fault automobile insurance to be the primary consumer issue before the 1972 Legislature and had made an unprecedented appearance to speak on its behalf before the	. Have students research the controversy over no fault insurance as reported in newspapers from January 1972 until the Legislature adjourned on May 12.	. "No Fault Insurance Hope Buried in State Assembly," New York Times, 5/12/72
	. Arrange for a panel discussion on the provisions of the two bills which epitomized the conflicting viewpoints	. "No Fault Auto Insurance Bills Die in Legislature," Albany Times Union, 5/12/72

UNDERSTANDINGS	SUGGESTED PUPIL AND TEACHER ACTIVITIES	SOURCE
committee hearing on this matter, no action was taken to change the law in this regard.	of legislators: - On the one hand was the bill introduced by Senator Thomas W. Laverne, which had the support of most senators as well as the indirect support of trial lawyers. The Laverne bill retained the unlimited right to sue for damages. - The opposing bill which would have barred lawsuits for injuries not defined in its provisions as "serious" was introduced by Senator Bernard Gordon.	. The original no fault bill was estimated by its supporters as saving $300 million a year to consumers. . The amended no fault bill was estimated to save consumers $50 million to $60 million a year. . Serious injury was defined to mean "a personal injury which results in death, dismemberment, significant disfigurement, permanent loss of use of a body organ, member, function or system; or disability rendering the victim for not less than 15 days incapable of performing his principal activity and a substantial portion of his other daily activities."
. Since no fault insurance will continue to be a concern, consumers should arm themselves with the facts to make an intelligent decision on this matter.	. What concessions did Senator Gordon make to attempt to reach a compromise? . Why do students feel that the Gordon bill was not successful? . Undoubtedly the no fault proposal will be brought up in succeeding legislative sessions. As one of its sponsors said: "This bill may be dead, but the issue is not dead." With the right to vote given to those of 18 years of age, it is probable that many students now in school will be voters by the time this legislation is next considered. What position do they feel they should take in this matter?	. Supporters of Senator Laverne's bill indicated that the "inalienable" right of consumers to sue would have been denied by the proposed Gordon bill. . "Senator John Hughes of Syracuse claimed there is 'great misunderstanding about the Gordon no fault proposal'. He asserted that 'there is no evidence of great success in any state that has tried no fault insurance.'" Albany Times Union, 5/10/72

SUMMARY

With ever-rising premium payments, with little or no compensation for some victims and overpayment for others, with delays and unfairness, it seems time to explore other ways of handling claims.

Proposed Solutions to the Problem

A number of authorities in the field of law and the field of insurance have proposed solutions to the problem. Attorneys, many of whom have a thriving business in automobile damage cases, have been accused, fairly or unfairly, of preventing any changes in the present fault system. On the other hand, some of the leaders in asking for a better system have been from the legal group.

Massachusetts has passed legislation which in effect calls for a limited no fault system to settle claims up to the amount of $2,000. Since the Massachusetts law also provides for a reduction in premium costs, some of the leading insurance companies say the costs of doing business in that state are too high and threaten to stop writing insurance in Massachusetts.

The New York State Insurance Department has made a report to the Governor outlining a proposal with seven main features. The claims made for the proposal are these:

- It is a system to compensate victims for losses suffered in automobile accidents, rather than to shift costs according to fault.
- It compensates the victim for all of his net economic loss.
- It requires motorists to buy insurance, but only to cover those losses not repaid from other, more efficient sources. (For example, if health insurance is carried, payments could come from that source.)
- It allocates the cost of compensating for such losses, as between private and commercial vehicle owners, according to the relative ease with which they can handle that cost.
- It imposes special cost burdens on drunken drivers and other particularly obnoxious categories of motorists.
- It leaves room for voluntary arrangements for coverage beyond what is required.
- It uses special sanctions to make sure insurance companies pay claims promptly and fairly.

While progress toward a fairer system may take many years, it is necessary to find some better way to handle the growing problem of fair compensation for automobile accidents. Informed students, it is hoped, will be heard, as the industry, the states, and the Federal Government consider and adopt automobile insurance reforms.

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